



Precious Shipping PCL

PSL TB	Outperform	
Target Price	Bt	19.20
Price (29/09/2022)	Bt	14.10
Upside	%	36.17
Valuation	PBV	
Sector	Transportation & Logistics	
Market Cap	Btm	21,986
30-day avg turnover	Btm	218.52
No. of shares on issue	m	1,559
CG Scoring	Excellent	
Anti-Corruption Indicator	Certified	

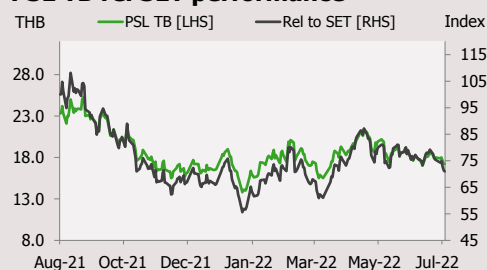
Small vessels outperformed BDI in 2022

- ▶ **BSI (-7.8% YTD), BHSI (-8.5% YTD) outperformed BDI (-29% YTD) and will continue to do so in 2023 on strong minor bulk trade, tighter supply.**
- ▶ **Cut 2022-23E earnings by 8.0%/1.3% on weaker TC rate and higher SOFR rates. Expect 3Q22 earnings of Bt970mn (-35% YoY, -42% QoQ).**
- ▶ **Reiterate Outperform but lower TP to Bt19.20 from Bt21.00. Derate PBV to 1.4x from 1.6x (or to +0.5SD from +1SD), in line with global peers.**

Investment fundamentals

Year end Dec 31	2021A	2022E	2023E	2024E
Company Financials				
Revenue (Btmn)	8,620	9,513	10,046	9,966
Core profit (Btmn)	4,340	4,846	4,954	5,083
Net profit (Btmn)	4,475	4,887	4,954	5,083
Net EPS (Bt)	2.87	3.13	3.18	3.26
DPS (Bt)	1.75	1.60	1.72	1.74
BVPS (Bt)	9.21	10.75	12.20	13.72
Net EPS growth (%)	445.59	9.21	1.36	2.60
ROA (%)	19.92	20.69	21.20	22.39
ROE (%)	36.53	31.41	27.69	25.16
Net D/E (x)	0.40	0.24	0.02	-0.16
Valuation				
P/E (x)	5.78	4.50	4.44	4.33
P/BV (x)	1.80	1.31	1.16	1.03
EV/EBITDA (x)	5.32	3.95	3.38	2.91
Dividend yield (%)	10.54	11.35	12.22	12.37

PSL TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

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30 September 2022

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Investment Highlights

- ▶ **Supramaxes (BSI) and Handysize (BHSI) indices outperformed BDI in 2022.** We found the BSI (-7.8% YTD) and BHSI (-8.5% YTD) have outperformed the BDI (-29.2% YTD) as demand growth for minor bulk cargoes (i.e. steel and forest products, cement, fertilizer, and metals) carried by Supramax and Handysize dry bulk ships has outpaced that of other major bulk cargoes (i.e. iron ore, coal, and grains) typically carried by larger vessels. Note that minor bulk cargoes account for 54% and 64% of the total commodities carried by the Supramax and Handysize dry bulk sectors. Clarksons Research estimates seaborne dry bulk trade in terms of ton-miles for minor bulk will grow 2.1% YoY/2.7% YoY in 2022-23E vs. 0.9% YoY/1.3% YoY for major bulk over the same period. Key reasons for the higher growth rate in minor bulk are stronger demand for agricultural and forestry products, and metal/mineral demand for energy transition (i.e. nickel, copper, aluminum, etc). On the supply side, the overall dry bulk fleet is expected to grow 3.4%/0.7% in 2022-23, while the Supramax and Handysize fleet (10-69,999 MDWT) will increase 3.3%/0.3%. We believe PSL's fleet, which is concentrated on Supramax and Handysize vessels, will benefit from the current outperformance of the BSI and BHSI vs. peers.
- ▶ **Lower 2022-23E earnings by 8.0%/1.3% on weaker TC rate and higher SOFR rates.** We cut our TC rate assumption for PSL by 3.7% to USD20,601/vessel/day in 2022 on a weaker-than-expected TC rate in 2H22 on China's economic slowdown. We maintain our 2023-24 TC rate assumption of USD20,200 due to a more balanced demand/supply outlook. We also raise our interest rate assumptions to 7.0%/7.5% (from 6.0%/6.5%) for 2022-23E on rising SOFR rates in 2H22 and 2023E, in line with higher Fed funds rates. Note that 50% of PSL's interest-bearing debt of Bt7.6bn (as of 2Q22) has a fixed interest rate, while the other half is under floating rates with a SOFR-plus margin scheme. We expect PSL to post 3Q22 earnings of Bt970mn (-35% YoY, -43% QoQ). The BSI has dropped by 43% YoY and 32% QoQ on a weaker global PMI pressured by China's zero-COVID policy and property slowdown, and fears of a recession as central banks tighten monetary policy. Note that PSL's fleet expanded to 38 vessels after the delivery of two new second-hand ships in 3Q22.

Valuation and Recommendation

- ▶ **Outperform with a lower TP of Bt19.20 from Bt21.00.** We revise down our target price to Bt19.20 from Bt21.00. Our new target is pegged to a lower PBV of 1.4x (+0.5SD) from 1.6x (+1SD) and 2024 BVPS of Bt13.7. We lower our target PBV to reflect the lower PBV of PSL's peers. We expect PSL will pay a 2022 DPS of Bt1.60, implying a dividend yield of 11%. Potential rerating catalysts are 1) China's successful homegrown mRNA vaccine and greater access to COVID-19 pills that will allow China to ease its COVID-19 restrictions; and 2) a Russia-Ukraine ceasefire leading to an increase in demand for commodities products by Ukraine.
- ▶ **Key risk:** Volatile freight rates.



Fig 1 Earnings revisions

Unit: Btmn. Profit and loss statements	2022E			2023E			2024E		
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	9,513	9,900	-3.9	10,046	10,046	0.0	9,966	9,966	0.0
Cost of goods sold	3,619	3,619	0.0	4,104	4,104	0.0	4,149	4,149	0.0
Gross profit	5,894	6,281	-6.2	5,941	5,941	0.0	5,818	5,818	0.0
SG&A	608	608	0.0	660	660	0.0	640	640	0.0
Operating profit	5,287	5,674	-6.8	5,281	5,281	0.0	5,178	5,178	0.0
EBITDA	6,585	6,972	-5.6	6,608	6,608	0.0	6,419	6,419	0.0
EBIT	5,292	5,679	-6.8	5,291	5,291	0.0	5,188	5,188	0.0
Core profit	4,846	5,272	-8.1	4,954	5,021	-1.3	5,083	5,098	-0.3
Net profit	4,887	5,313	-8.0	4,954	5,021	-1.3	5,083	5,098	-0.3
Key assumptions									
Number of vessels	37	37	0.0	38	38	0.0	38	38	0.0
Operating days	13,414	13,414	0.0	13,870	13,870	0.0	13,870	13,870	0.0
TC rates (US\$/day)	20,601	21,387	-3.7	20,282	20,282	0.0	20,118	20,118	0.0
USDTHB	34.68	34.68	0.0	35.00	35.00	0.0	35.00	35.00	0.0
OPEX (US\$/day)	5,099	5,099	0.0	5,400	5,400	0.0	5,400	5,400	0.0
SG&A (US\$/day)	1,306	1,306	0.0	1,360	1,360	0.0	1,318	1,318	0.0

Source: Company data, KS Research

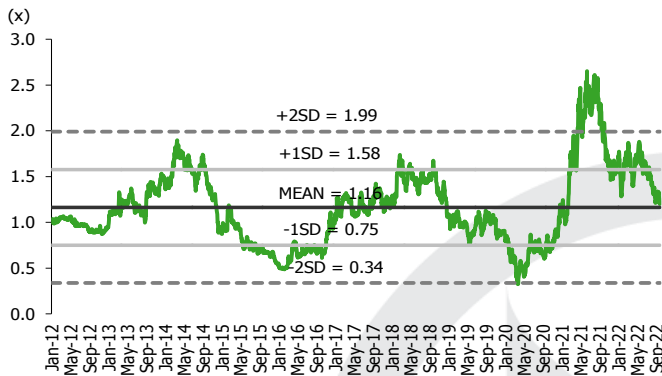
Fig 2 3Q22 earnings preview

	3Q21	4Q21	1Q22	2Q22	3Q22E	%YoY	%QoQ	%YTD2022E	2022E
Financials									
Sales (Btmn)	2,639	2,818	2,280	2,639	2,297	-12.9	-13.0	75.9	9,513
EBITDA (Btmn)	1,643	1,834	1,383	1,748	1,081	-34.2	-38.1	64.0	6,585
Operating profit (Btmn)	1,643	1,834	1,383	1,748	1,081	-34.2	-38.1	79.7	5,287
Core profit (Btmn)	1,538	1,762	1,303	1,610	970	-37.0	-39.8	80.1	4,846
Net profit (Btmn)	1,501	1,772	1,294	1,660	970	-35.4	-41.6	80.3	4,887
Net EPS (Bt)	0.96	1.14	0.83	1.06	0.62	-35.4	-41.6	80.3	3.13
Performance Drivers									
Number of vessels	36	35	35	36	38	5.6	5.6	296.6	37
Operating days	3,285	3,194	3,194	3,285	3,468	5.6	5.6	74.1	13,414
TC rates (US\$/day)	24,722	26,429	21,995	23,901	18,254	-26.2	-23.6	311.4	20,601
USDTHB	32.9	32.8	33.1	34.6	35.5	7.9	2.5	297.6	35
OPEX (US\$/day)	5,136	5,241	4,914	4,683	5,400	5.1	15.3	294.1	5,099
SG&A (US\$/day)	1,560	1,603	1,242	1,022	1,462	-6.2	43.1	285.3	1,306
Ratios									
						Change	Avg YTD	2022E	
Gross margin (%)	68.7	71.1	66.4	70.6	54.9	-13.8	-15.7	64.0	62.0
EBITDA margin (%)	62.3	65.1	60.7	66.2	47.1	-15.2	-19.2	58.0	69.2
Optg. margin (%)	62.3	65.1	60.7	66.2	47.1	-15.2	-19.2	58.0	55.6
ROE (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.4

Source: Company data, KS Research

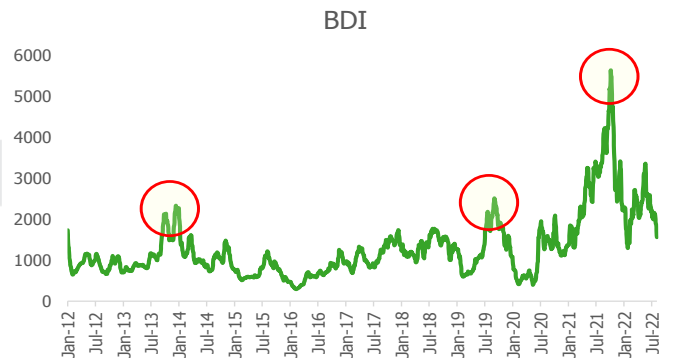


Fig 3 12M FWD PBV – PSL



Source: Bloomberg, KS Research

Fig 4 Baltic Dry index



Source: Setsmart and KS Research

Fig 5 Dry bulk index performance

	Fig	Unit	Price 28-Sep-22	Change (%)			QTD' 3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	YTD' 22	2021	YoY (%)	
				-1W	-2W	-1M	-1Y								
Baltic Exchange Indexes															
Baltic Dry Index	3	Index	1,799	3.0%	12.8%	66.3%	-63.7%	1,643	3,740	-56.1%	2,519	-34.8%	2,069	2,921	-29.2%
Baltic Handysize Index	4	Index	992	6.2%	11.1%	6.3%	-48.9%	1,036	1,790	-42.1%	1,532	-32.4%	1,302	1,424	-8.5%
Baltic Supramax Index	5	Index	1,680	4.7%	11.6%	-3.7%	-50.2%	1,791	3,121	-42.6%	2,627	-31.8%	2,235	2,424	-7.8%
Baltic Panamax Index	6	Index	2,022	0.0%	-5.7%	47.4%	-49.8%	1,898	3,739	-49.2%	2,957	-35.8%	2,477	2,972	-16.6%
Baltic Capesize Index	7	Index	2,107	4.3%	34.6%	412.7%	-74.7%	1,628	5,126	-68.2%	2,573	-36.7%	1,997	3,974	-49.8%
Container Related Indexes															
Shanghai Export Containerized Freight Index	8	Index	2,072	-10.4%	-19.1%	-34.3%	-55.4%	3,384	4,281	-21.0%	4,210	-19.6%	4,154	3,751	10.7%
Bunker Fuel 380 cSt															
Singapore	14	USD/metric tonne	390	-3.7%	-4.9%	-17.4%	-16.4%	454	424	7.1%	607	-25.2%	526	409	28.4%

Source: KS Research

Fig 6 PSL peer comparison

Stock	Market Cap (USD mn)	Basic EPS growth (%)			Basic P/E (x)			P/BV (x)			Div. Yield (%)			ROE (%)		
		21	22E	23E	21	22E	23E	21	22E	23E	21	22E	23E	21	22E	23E
Precious Shipping PCL	578	n.m.	18.7	-5.5	5.8	4.5	4.4	1.8	1.3	1.2	10.5	11.4	12.2	36.5	31.4	27.7
Global selected peers																
Atlas Corp *	3,966	161.5	25.0	-3.5	10.4	8.3	8.6	1.0	n.a.	n.a.	3.5	3.5	3.5	9.4	10.9	9.8
Capital Product Partners LP *	273	221.3	-17.7	1.4	2.7	3.3	3.2	0.5	0.5	n.a.	3.2	4.3	5.0	20.0	n.a.	n.a.
Danaos Corp *	1,182	694.9	-39.7	2.6	1.1	1.8	1.8	0.6	n.a.	n.a.	0.0	5.2	5.2	67.4	27.0	17.4
Diana Shipping Inc *	329	n.m.	125.0	-19.0	6.0	2.7	3.3	1.0	0.7	0.6	0.0	23.6	20.8	14.9	28.8	20.0
Eagle Bulk Shipping Inc *	573	n.m.	19.6	-51.3	2.8	2.3	4.8	0.8	0.7	0.7	0.0	16.8	8.9	32.4	18.2	12.7
Genco Shipping & Trading Ltd *	526	n.m.	5.1	-11.0	2.9	2.7	3.1	0.6	0.9	0.8	7.8	25.8	(198.0)	21.9	11.8	10.9
Kirby Corp *	3,687	n.m.	n.m.	71.7	(15.0)	30.3	17.6	1.3	1.2	1.2	0.0	n.a.	n.a.	-8.3	4.0	6.7
Navios Maritime Partners LP *	754	n.m.	-8.2	12.4	1.1	1.2	1.1	0.4	0.4	0.3	0.8	0.8	0.8	42.6	26.0	25.2
Pacific Basin Shipping Ltd *	1,682	n.m.	0.0	-11.2	1.8	1.8	2.0	0.8	0.8	0.7	22.3	33.9	29.4	58.3	43.3	34.1
Safe Bulkers Inc *	304	n.m.	0.9	-18.3	1.8	1.7	2.1	0.5	n.a.	n.a.	0.0	7.9	13.9	30.2	12.1	12.9
Eneti Inc *	294	n.m.	48.4	-68.2	5.7	3.9	12.1	0.5	0.4	0.4	16.6	0.3	0.3	4.5	12.4	6.0
SFL Corp Ltd *	1,315	n.m.	-0.7	-4.5	7.0	7.1	7.4	1.2	1.1	1.1	6.6	9.5	10.5	18.5	15.3	10.7
Star Bulk Carriers Corp *	1,867	6,630.0	-0.7	-23.3	2.7	2.7	3.5	0.9	0.9	0.9	12.4	34.6	24.4	37.5	24.3	36.2
Simple average		1,926.9	13.1	-9.4	2.4	5.4	5.4	0.8	0.8	0.7	5.6	13.9	-6.3	26.9	19.5	16.9
SET selected peers																
Thoresen Thai Agencies PCL *	367	n.m.	-2.6	-33.7	3.6	3.7	5.6	0.7	0.6	0.5	0.3	2.7	2.6	20.6	12.0	8.3

Source: KS Research

Fig 7 2022 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	+2.5SD	+3SD
PBV multiple	0.3	0.5	0.7	0.9	1.2	1.4	1.60	1.80	2.00	2.20	2.40
Fair value (Bt/shr)	4.1	6.9	9.6	12.3	15.8	19.2	21.9	24.7	27.4	30.2	32.9

Source: KS Research


Year-end 31 Dec

Income Statement (Btmn)	2020A	2021A	2022E	2023E	2024E	Cashflow (Btmn)	2020A	2021A	2022E	2023E	2024E
Revenue	3,730	8,620	9,513	10,046	9,966	Net profit	-1,295	4,475	4,887	4,954	5,083
Cost of sales and services	-3,226	-3,305	-3,619	-4,104	-4,149	Depreciation & amortization	1,183	1,215	1,298	1,326	1,241
Gross Profit	504	5,315	5,894	5,941	5,818	Change in working capital	362	-270	-228	83	40
SG&A	-336	-581	-608	-660	-640	Others	2,643	406	10	10	10
Other income	9	0	1	0	0	CF from operation activities	2,893	5,826	5,967	6,373	6,374
EBIT	-693	4,892	5,292	5,291	5,188	Capital expenditure	-204	-2,375	-1,738	0	0
EBITDA	1,360	5,949	6,585	6,608	6,419	Investment in subs and affiliates	-5	-29	-2	-2	-2
Interest expense	-597	-415	-405	-338	-105	Others	0	0	0	0	0
Equity earnings	11	23	13	10	10	CF from investing activities	-209	-2,405	-1,740	-2	-2
EBT	-1,290	4,477	4,887	4,954	5,083	Cash dividend	0	-2,729	-2,496	-2,687	-2,719
Income tax	-4	-2	0	0	0	Net proceeds from debt	-2,635	-1,809	-2,218	-3,000	-3,000
NPAT	-1,295	4,475	4,887	4,954	5,083	Capital raising	0	0	0	0	0
Minority Interest	0	-0	0	0	0	Others	-56	1,282	0	0	0
Core Profit	-413	4,340	4,846	4,954	5,083	CF from financing activities	-2,691	-3,255	-4,714	-5,687	-5,719
Extraordinary items	-867	-60	41	0	0	Net change in cash	-7	166	-487	683	652
FX gain (loss)	-15	194	0	0	0	Key Statistics & Ratios					
Reported net profit	-1,295	4,475	4,887	4,954	5,083	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	-0.83	2.87	3.13	3.18	3.26
Cash & equivalents	1,100	2,468	1,981	2,665	3,317	Core EPS	-0.27	2.78	3.11	3.18	3.26
ST investments	0	0	0	0	0	DPS	0.00	1.75	1.60	1.72	1.74
Accounts receivable	169	175	347	342	302	BV	6.50	9.21	10.75	12.20	13.72
Inventories	35	22	78	0	0	EV	13.32	20.29	16.68	14.32	11.97
Other current assets	634	145	147	150	153	Free Cash Flow	1.72	2.21	2.71	4.09	4.09
Total current assets	1,938	2,810	2,554	3,157	3,772	Valuation analysis					
Investment in subs & others	91	120	122	125	127	Reported P/E (x)	-9.15	5.78	4.50	4.44	4.33
Fixed assets-net	19,125	20,285	20,725	19,398	18,157	Core P/E (x)	-28.67	5.96	4.54	4.44	4.33
Other assets	244	316	322	329	335	P/BV (x)	1.17	1.80	1.31	1.16	1.03
Total assets	21,397	23,531	23,723	23,009	22,392	EV/EBITDA (x)	15.27	5.32	3.95	3.38	2.91
Short-term debt	2,441	1,409	1,000	0	0	Price/Cash flow (x)	4.10	4.44	3.68	3.45	3.45
Accounts payable	277	0	0	0	0	Dividend yield (%)	0.00	10.54	11.35	12.22	12.37
Other current liabilities	621	508	518	528	539	Profitability ratios					
Total current liabilities	3,339	1,916	1,518	528	539	Gross margin (%)	13.51	61.66	61.95	59.14	58.37
Long-term debt	7,586	6,809	5,000	3,000	0	EBITDA margin (%)	36.47	69.02	69.22	65.78	64.41
Other liabilities	337	440	449	458	467	EBIT margin (%)	-18.59	56.75	55.63	52.67	52.05
Total liabilities	11,262	9,165	6,966	3,986	1,005	Net profit margin (%)	-34.71	51.91	51.37	49.31	51.00
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	-5.57	19.92	20.69	21.20	22.39
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	-11.94	36.53	31.41	27.69	25.16
Reserves & others, net	-916	367	367	367	367	Liquidity ratios					
Retained earnings	7,523	10,471	12,863	15,129	17,493	Current ratio (x)	0.58	1.47	1.68	5.98	7.00
Minority interests	0	0	0	0	0	Quick ratio (x)	0.38	1.38	1.53	5.69	6.72
Total shareholders' equity	10,135	14,365	16,757	19,023	21,386	Leverage Ratios					
Total equity & liabilities	21,397	23,531	23,723	23,009	22,392	Liabilities/Equity ratio (x)	1.11	0.64	0.42	0.21	0.05
Key Assumptions	2020A	2021A	2022E	2023E	2024E	Net debt/EBITDA (x)	6.56	0.97	0.61	0.05	-0.52
Number of vessels	36	36	37	38	38	Net debt/equity (x)	0.88	0.40	0.24	0.02	-0.16
Operating days	13,176	13,049	13,414	13,870	13,870	Int. coverage ratio (x)	-1.16	11.78	13.08	15.68	49.41
TC rates (US\$/day)	8,332	20,287	20,601	20,282	20,118	Growth					
USDTHB	31.0	31.9	34.7	35.0	35.0	Revenue (%)	-10.16	131.09	10.36	5.60	-0.79
OPEX (US\$/day)	4,705	5,088	5,099	5,400	5,400	EBITDA (%)	-19.62	337.34	10.68	0.34	-2.86
SG&A (US\$/day)	822	1,395	1,306	1,360	1,318	Reported net profit (%)	-466.70	445.59	9.21	1.36	2.60
Financial cost (US\$/day)	1,462	997	1,070	695	216	Reported EPS (%)	-466.70	445.59	9.21	1.36	2.60
Depreciation (US\$/day)	3,052	3,083	3,114	3,145	3,176	Core profit (%)	-85.78	1,150.05	11.65	2.22	2.60
Total cost (US\$/day)	10,041	10,563	10,589	10,600	10,111	Core EPS (%)	-85.78	1,150.05	11.65	2.22	2.60

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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