

Precious Shipping

PSL TB / PSL.BK

1Q23 profit a miss, but will improve QoQ in 2Q23

Missed our forecast but beat the consensus'

PSL posted 1Q23 net and core earnings of Bt79m, down by 94% YoY and 86% QoQ. The reported bottom-line missed our estimate by 22% (the T/C rates for Supramax and Ultramax class vessels were lower than we had assumed) but beat the consensus by 67%.

Result highlights

Revenue slumped by 50% YoY and 34% QoQ, due to decreased dry bulk shipping rates. The mean freight rate was US\$10,022/day/ship, down by 54% YoY and 30% QoQ (Handysize \$9,852/day/ship, Supramax \$9,842/day/ship, and Ultramax \$10,671/day/ship). Cost-of-sales-&-services rose 15% YoY and 1% QoQ.

Outlook

Our model points to the 2Q23 core number weakening YoY but improving QoQ in tandem with the change in dry bulk shipping rates.

What hasn't changed?

Our 2023 core earnings forecast stands unchanged at Bt1,696m (down by 65% YoY).

Recommendation

We expect the dry bulk freight rate to continue rallying through 3Q23, driven by seasonality. However, we still expect freight rates to remain lower than the 2022 level. Our HOLD call stands unchanged.

Sector: Logistics

UNDERWEIGHT

Rating: HOLD

Target Price: Bt14.00

Price (May 3, 2023): Bt12.20

Key statistics

Market cap	Bt19.0bn	USD0.6bn
12-mth price range	Bt12.8/Bt21.8	
12-mth avg daily volume	Bt182m	USD5.4m
# of shares (m)	1,559	
Est. free float (%)	47.6	
Foreign limit (%)	49.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	(7.8)	(16.0)	(26.9)
Absolute	(11.6)	(25.2)	(34.1)

Financial summary

FY Ended 31 Dec	2022	2023E	2024E	2025E
Revenues (Btm)	9,129	6,366	5,456	4,983
Net profit (Btm)	4,851	1,696	964	590
EPS (Bt)	3.11	1.09	0.62	0.38
EPS growth (%)	+8.4%	-65.0%	-43.2%	-38.8%
Core profit (Btm)	4,850	1,696	964	590
Core EPS (Bt)	3.11	1.09	0.62	0.38
Core EPS growth (%)	+11.8%	-65.0%	-43.2%	-38.8%
PER (x)	4.7	13.4	23.6	38.6
PBV (x)	1.4	1.4	1.3	1.3
Dividend (Bt)	2.3	0.9	0.5	0.3
Dividend yield (%)	15.4	5.9	3.4	2.1
ROE (%)	31.5	10.2	5.7	3.5

CG / CAC Anti-Corruption Certification



Yes

Kijapat Wongmetta

Securities Fundamental Investment Analyst

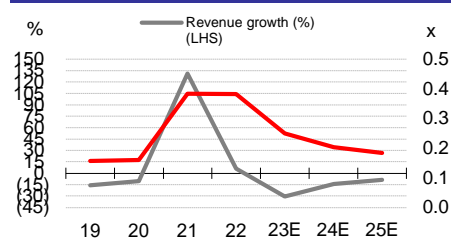
Kijapat.won@bualuang.co.th

+66 2 618 1951

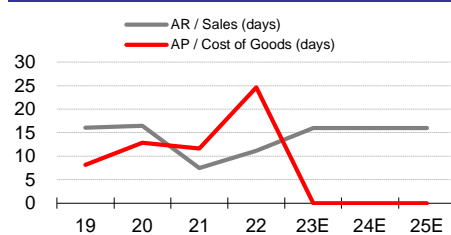
PSL: Financial Tables – Year

PROFIT & LOSS (Btm)	2021	2022	2023E	2024E	2025E
Revenue	8,615	9,129	6,366	5,456	4,983
Cost of sales and services	(3,305)	(3,401)	(3,318)	(3,324)	(3,318)
Gross profit	5,311	5,728	3,048	2,133	1,665
SG&A	(581)	(517)	(517)	(517)	(517)
EBIT	4,730	5,212	2,531	1,616	1,149
Interest expense	(415)	(392)	(451)	(451)	(451)
Other income/exp.	3	17	30	30	30
EBT	4,318	4,837	2,110	1,195	728
Corporate tax	(2)	(15)	(424)	(241)	(148)
After-tax net profit (loss)	4,317	4,821	1,686	954	580
Minority interest	(0)	(0)	0	0	0
Equity earnings from affiliates	23	29	10	10	10
Extra items	136	0	0	0	0
Net profit (loss)	4,475	4,851	1,696	964	590
Reported EPS	2.87	3.11	1.09	0.62	0.38
Fully diluted EPS	2.87	3.11	1.09	0.62	0.38
Core net profit	4,339	4,850	1,696	964	590
Core EPS	2.78	3.11	1.09	0.62	0.38
EBITDA	5,945	6,537	3,785	2,870	2,403
KEY RATIOS					
Revenue growth (%)	131.0	6.0	(30.3)	(14.3)	(8.7)
Gross margin (%)	61.6	62.7	47.9	39.1	33.4
EBITDA margin (%)	69.0	71.6	59.5	52.6	48.2
Operating margin (%)	54.9	57.1	39.8	29.6	23.1
Net margin (%)	51.9	53.1	26.6	17.7	11.8
Core profit margin (%)	50.4	53.1	26.6	17.7	11.8
ROA (%)	19.9	20.3	6.6	3.6	2.2
ROCE (%)	20.9	21.2	6.9	3.7	2.3
Asset turnover (x)	0.4	0.4	0.2	0.2	0.2
Current ratio (x)	1.5	0.8	4.1	4.6	5.1
Gearing ratio (x)	0.6	0.4	0.5	0.5	0.5
Interest coverage (x)	11.4	13.3	5.6	3.6	2.5
BALANCE SHEET (Btm)					
Cash & Equivalent	2,468	1,056	9,358	10,594	11,735
Accounts receivable	175	279	279	239	218
Inventory	0	0	0	0	0
PP&E-net	20,285	22,048	16,190	15,187	14,184
Other assets	3,070	1,977	10,310	11,547	12,688
Total assets	23,531	24,304	26,780	26,974	27,091
Accounts payable	105	229	0	0	0
ST debts & current portion	1,409	1,162	1,877	1,877	1,877
Long-term debt	6,809	5,547	7,150	7,150	7,150
Other liabilities	842	903	944	945	944
Total liabilities	9,165	7,841	9,971	9,972	9,971
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	11,084	12,475	12,821	13,013	13,131
Shareholders' equity	14,365	16,463	16,809	17,001	17,120
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	23,531	24,304	26,780	26,974	27,091
CASH FLOW (Btm)					
Net income	4,475	4,851	1,696	964	590
Depreciation and amortization	1,215	1,326	1,254	1,254	1,254
Change in working capital	(236)	40	(220)	41	20
FX, non-cash adjustment & others	572	492	451	451	451
Cash flows from operating activities	6,026	6,709	3,181	2,710	2,315
Capex (Invest)/Divest	(255)	(2,446)	4,604	(251)	(251)
Others	20	30	0	0	0
Cash flows from investing activities	(235)	(2,416)	4,604	(251)	(251)
Debt financing (repayment)	(2,448)	(1,826)	2,318	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,559)	(3,508)	(1,350)	(771)	(472)
Others	20	30	0	0	0
Cash flows from financing activities	(4,423)	(5,705)	517	(1,222)	(923)
Net change in cash	1,368	(1,413)	8,302	1,237	1,141
Free cash flow (Btm)	5,770	4,262	7,785	2,459	2,064
FCF per share (Bt)	3.7	2.7	5.0	1.6	1.3
Key assumptions	2021	2022	2023E	2024E	2025E
TC rate (US\$/day/ship)	20,479	19,924	13,507	11,545	10,572
No. of operating days (days)	13,140	13,505	13,870	13,908	13,870
No. of ships	36	38	38	38	38

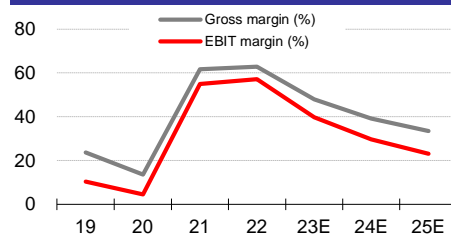
Revenue growth and asset turnover



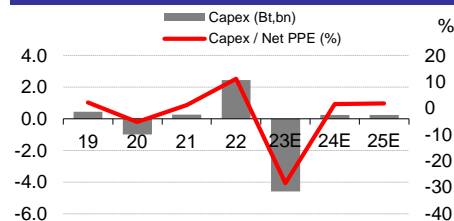
A/C receivable & A/C payable days



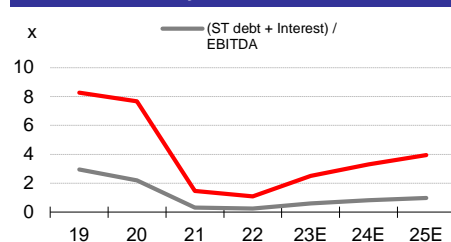
Profit margins



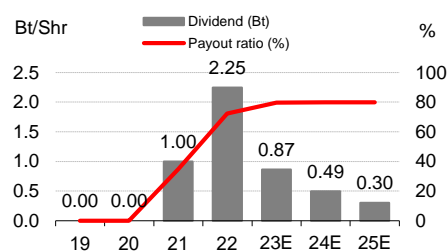
Capital expenditure



Debt serviceability



Dividend payout



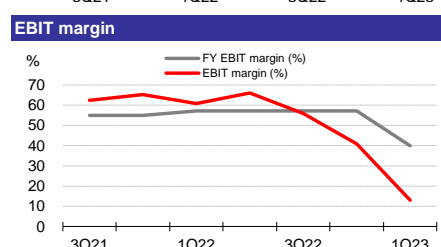
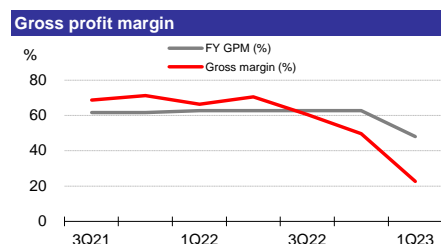
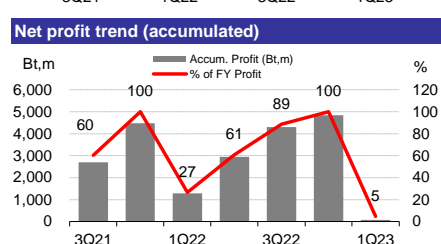
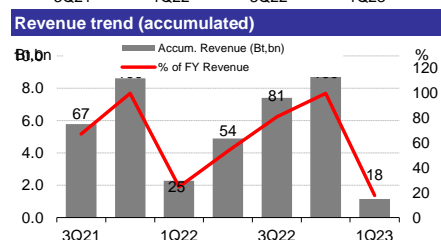
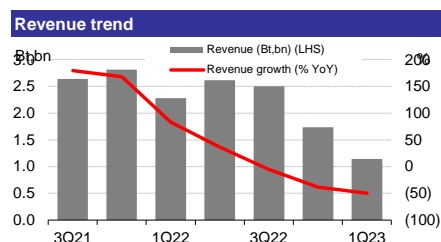
PSL: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q22	2Q22	3Q22	4Q22	1Q23
Revenue	2,281	2,616	2,500	1,731	1,146
Cost of sales and services	(767)	(775)	(986)	(873)	(885)
Gross profit	1,514	1,842	1,513	859	261
SG&A	(131)	(116)	(118)	(151)	(112)
EBIT	1,383	1,725	1,395	708	149
Interest expense	(82)	(95)	(107)	(109)	(104)
Other income/exp.	2	2	50	(36)	32
EBT	1,304	1,632	1,338	562	77
Corporate tax	0	0	0	(15)	(0)
After-tax net profit (loss)	1,304	1,632	1,338	547	77
Minority interest	(0)	0	(0)	(0)	0
Equity earnings from affiliates	2	7	10	10	2
Extra items	(11)	21	(1)	(8)	0
Net profit (loss)	1,294	1,660	1,348	550	79
Reported EPS	1	1	1	0	0
Fully diluted EPS	0.83	1.06	0.86	0.35	0.05
Core net profit	1,305	1,639	1,349	557	79
Core EPS	0.84	1.05	0.86	0.36	0.05
EBITDA	1,602	1,957	1,705	910	414

KEY RATIOS	1Q22	2Q22	3Q22	4Q22	1Q23
Gross margin (%)	66.4	70.4	60.5	49.6	22.8
EBITDA margin (%)	70.2	74.8	68.2	52.6	36.2
Operating margin (%)	60.6	65.9	55.8	40.9	13.0
Net margin (%)	56.7	63.4	53.9	31.7	6.9
Core profit margin (%)	57.2	62.6	53.9	32.2	6.9
BV (Bt)	9.6	10.5	11.7	10.6	10.4
ROE (%)	35.3	42.4	31.1	12.7	1.9
ROA (%)	22.0	27.3	20.6	8.5	1.3
Current ratio (x)	1.3	1.3	1.1	0.8	0.7
Gearing ratio (x)	0.5	0.5	0.4	0.4	0.4
Interest coverage (x)	16.9	18.2	13.1	6.5	1.4

QUARTERLY BALANCE SHEET (Btm)	1Q22	2Q22	3Q22	4Q22	1Q23
Cash & Equivalent	2,708	1,917	1,481	1,056	838
Accounts receivable	174	255	395	279	163
Inventory	4	4	4	4	4
PP&E-net	19,966	21,882	24,251	22,048	21,501
Other assets	741	985	1,096	917	899
Total assets	23,593	25,043	27,227	24,304	23,405
Accounts payable	93	148	217	229	138
ST debts & current portion	1,879	1,205	1,245	1,162	1,207
Long-term debt	5,866	6,445	6,603	5,547	5,098
Other liabilities	808	871	917	903	689
Total liabilities	8,646	8,669	8,982	7,841	7,133
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	11,598	12,089	12,657	12,475	12,553
Shareholders equity	14,946	16,375	18,245	16,463	16,272
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	23,593	25,043	27,227	24,304	23,405

Key operating data	1Q22	2Q22	3Q22	4Q22	1Q23
TC rate (US\$/day/ship)	21,995	23,901	19,840	14,343	10,022
No.of operating days (days)	3,240	3,367	3,496	3,496	3,420
No.of ships	36	37	38	38	38



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 38 ships as of end-Mar 2023.

Figure 1 : 1Q23 results

FY Ended 31 Dec (Btm)	1Q23	1Q22	YoY %	4Q22	QoQ %	3M23	3M22	YoY %	3M23 vs. FY23E
Income Statement									
Revenue	1,146	2,281	(50)	1,731	(34)	1,146	2,281	(50)	18
Cost of sales and services	(885)	(767)	15	(873)	1	(885)	(767)	15	27
EBITDA	414	1,602	(74)	910	(54)	414	1,602	(74)	11
EBIT	149	1,383	(89)	708	(79)	149	1,383	(89)	6
Interest expense	(104)	(82)	27	(109)	(5)	(104)	(82)	27	23
Other income/exp.	32	2	1,270	(36)	nm	32	2	1,270	105
Equity earnings from affiliates	2	2	(13)	10	(84)	2	2	(13)	16
Extra items	0	(11)	(100)	(8)	(100)	0	(11)	(100)	nm
EBT	77	1,304	(94)	562	(86)	77	1,304	(94)	4
Corporate tax	(0)	0	nm	(15)	(98)	(0)	0	nm	0
Minority interest	0	(0)	(100)	(0)	(100)	0	(0)	(100)	nm
Net profit (loss)	79	1,294	(94)	550	(86)	79	1,294	(94)	5
Reported EPS	0.05	0.83	(94)	0.35	(86)	0.05	0.83	(94)	5
Core net profit	79	1,305	(94)	557	(86)	79	1,305	(94)	5
Key ratios									
Gross margin (%)	22.8	66.4		49.6		22.8	66.4		
EBITDA margin (%)	36.2	70.2		52.6		36.2	70.2		
EBIT margin (%)	13.0	60.6		40.9		13.0	60.6		
Tax rate (%)	0.3	0.0		2.7		0.3	0.0		
Net margin (%)	6.9	56.7		31.7		6.9	56.7		
Current ratio (x)	0.7	1.3		0.8		0.7	1.3		
Gearing ratio (x)	0.4	0.5		0.4		0.4	0.5		
Interest coverage (x)	1.4	16.9		6.5		1.4	16.9		
Balance Sheet									
Cash & Equivalent	838	2,708	(69)	1,056	(21)				
Total assets	23,405	23,593	(1)	24,304	(4)				
ST debts & current portion	1,207	1,879	(36)	1,162	4				
Long-term debt	5,098	5,866	(13)	5,547	(8)				
Total liabilities	7,133	8,646	(18)	7,841	(9)				
Retained earnings	12,553	11,598	8	12,475	1				
Shareholders equity	16,272	14,946	9	16,463	(1)				
Minority interests	0	0	nm	0	nm				
BV (Bt)	10.4	9.6	9	10.6	(1)				

• Revenue declined YoY and QoQ, in tandem with lower T/C rates

• GM and NM slimmed back YoY and QoQ, due to lower freight rates

• Both the net and core numbers were short of our estimates but beat the street forecast

Source: Bualuang Research estimates

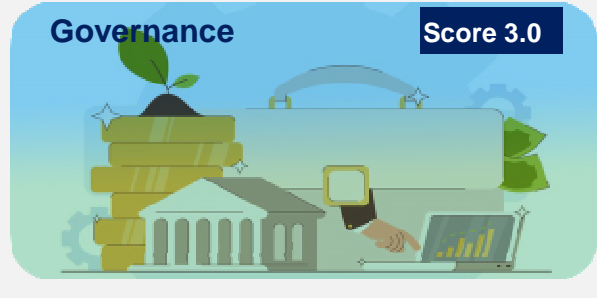
ESG Total Score = 2.3/3



PSL recognizes that irresponsible shipping operations will inevitably lead to catastrophic environmental impact, particularly in terms of air and water pollution. Therefore, the firm is firmly committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors. PSL is not only simply complying with regulations. It is trying to go above and beyond mandatory regulations by developing internal emergency response plans and quality control systems, constantly searching for new technologies to employ, to help reduce environmental impact, and a commitment to reducing CO2 emissions and waste generation.



PSL treats Corporate Social Responsibility (CSR) as one of its highest priorities and has built it into its Vision and Mission Statement and Core Values. The company allocates 0.50% of net profit every year to a CSR Reserve (a minimum of Bt1.75m and a maximum of Bt25m per year). The allocation is decided annually by shareholders. The actual utilization of this reserve is decided by the company's senior management and the Board of Directors and is reviewed at least once a year by the board.



PSL is committed to conducting business under Good Corporate Governance principles, doing business ethically, and striving for the betterment of society and the environment. The Board of Directors promotes corporate governance practices to help fulfil its responsibility to shareholders. The company has established a Business Ethics and Code of Conduct of Manual and Corporate Governance Policy to commit to the key principles of integrity, ethical business conduct and accountability for directors, executives, and staff as guidelines in carrying out their responsibilities for the company in a transparent, honest, faithful, and justifiable manner.

Bualuang Securities Public Company Limited

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PTG	PTT	PTTEP	PTTGC	SCB	SPRC	TOP	WHA	ESSO	STA	BGRIM	GULF	MTC	AWC	CRC
CPF	CPN	HANA	HMPRO	IVL	OSP	SAWAD	BANPU	BCH	BTS	SCC	TISCO	TU	INTUCH	RATCH
VGI	SCGP	COM7	DOHOME	JMT	CHG	TTB	BAM	BCP	AP	KTB	KKP	OR	BEM	GUNKUL
EA	SPALI	RBF	STGT	JMART	BEC	BLA	KEX	RCL	SINGER	STARK	TIDLOR	FORTH	TIPH	AAV
DELTA	BCPG	SABUY	THG	CKP	TRUE	PSL	SIRI							

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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	MGC

CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

- 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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