

Dry-bulk freight rate should recover in 2H23

Maintain PSL with a BUY rating as we anticipate dry bulk freight rate to improve gradually throughout the second half of 2023. The rate could rebound in 3Q23 due to seasonal factors, such as higher coal demand during the summer months and the grain harvests in the northern hemisphere kicking off in July. Looking forward to 2024, improving demand-supply balance should shore up the rate at sustained profitable level given that; 1.) limited deliveries of minor bulk fleets, 2.) recovery in Chinese demand could also emerge as the economy strengthens and the government continues to work towards a resolution of China's real estate crisis. Our new fair price at Bt12.40 (previous: Bt14.0) derived from 1.1xPBV'24E, -0.5 S.D. from its 5-year average, which closed to Asia-Ex Japan transportation sector. Our FP cut reflects 20% earnings downgrade in 2023E and a reduction in PBV multiple.

2Q23 core profit is expected to recover from the bottom in 1Q23

- We expect PSL to report 2Q23 core profit at Bt217m. (-87%YoY, +301%QoQ) QoQ recovery should be supported by dry bulk freight rate that recovered after Chinese new year period. YoY deep contraction was owing to the end of the positive congestion-driven cycle during 2021 and the first half of 2022, while global economic growth stalls. We expect an average TC rate to pick up from nine-quarter low in 1Q23 to US\$11,529 per day (-52%YoY +15%QoQ). Weaker grain and minor bulk shipments mainly for cement products have also contributed to the YoY deterioration of freight rates in the smaller ships segments, which represented the majority of PSL fleets.
- Average market TC rate for Supramax and Handy-sized should be reported at US\$11,550 (-47%YoY +13%QoQ) and US\$11,340 (-51%YoY +21%QoQ). We do expect PSL average earnings per ship to be aligned with the market for this quarter as it occurred in 1Q23.
- Gross profit margin is assumed to rebound QoQ to 32.8% from ten-quarter low at 22.8% in 1Q23, but should fall from 70.4% in 2Q22 due to less benefit from operating leverage amid a fall in TC rate.

Expect freight rate to improve from 3Q23

- According to BIMCO Research, minor bulk demand fell 1.6%YTD as it pressured by a decrease in global economic growth. The key PSL's transported commodities such as cement (32% of PSL's trips in 2022) have dropped badly as construction activity in China still remained inferior during post-lockdown while earthquake in Turkey as no.5 among top exporters also caused a fall in shipment volume.
- We expect the demand side to rebound throughout 2H23 following a high season and gradual recovery in China property sector where we are seeing some positive signs. A shift in climate patterns from La Niña to El Niño could benefit dry bulk demand as higher rainfall in the USA, Argentina and Brazil will improve productions and grain yields, which will benefit overall exported volume of crop products. Abnormal high temperature in India, Europe and Asia could also boost coal import demand as electricity generation from hydropower shrink.
- Looking forward to 2024, we expect freight rate to stand at profitable level due to limited expansion on supply side as the fleet orderbook to total current fleet ratio is currently stand at its lowest level since 1996 (6.9% for total dry-bulk fleets, 3.7% for Handy-sized), resulted in deliveries for bulk carrier that could fall to 20-year low in 2024. New regulation related to carbon emission remain as supportive factors.

BUY

Fair price: Bt12.40

Upside (Downside): 26%

Key Statistics

Bloomberg Ticker	PSL TB
Market Cap. (Bt m)	15,359
Current Price	9.85
Shares issued (mn)	1,559
Par value (Bt)	1.00
52 Week high/low (Bt)	19.5/8.80
Foreign limit/ actual (%)	49.0/22.2
NVDR Shareholders (%)	9.5
Free float (%)	47.6
Number of retail holders	15,011
Dividend policy (%)	Not less than 25%
Industry	Services
Sector	Transportation
First Trade Date	16 Dec 1993
2022 CG Rate	▲▲▲▲▲
Thai CAC	Certified

Major Shareholders 25 Nov 22

Globex Corporation Limited	28.4
Thai NVDR Co., Ltd	10.3
Graintrade Limited	8.3
BANK JULIUS BAER & CO. LTD, SG	7.9
Ms. Nishita Shah	6.9

Key Financial Summary

Year End Dec	2021A	2022A	2023E	2024E
Revenue (Bt m)	8,615	9,129	5,132	5,524
Net Profit (Bt m)	4,475	4,851	955	1,493
NP Growth (%)	N.M.	8	(80)	56
EPS (Bt)	2.87	3.11	0.61	0.96
PER (x)	3.4	3.2	16.1	10.3
BPS (Bt)	9.2	10.6	10.4	11.2
PBV (x)	1.1	0.9	0.9	0.9
DPS (Bt)	1.50	1.75	0.15	0.24
Div. Yield (%)	15.2	17.8	1.6	2.4
ROA (%)	19.0	20.0	4.2	6.4
ROE (%)	31.2	29.5	5.9	8.6

Source: Pi Estimated

Analyst: Boonyakorn Amornsank

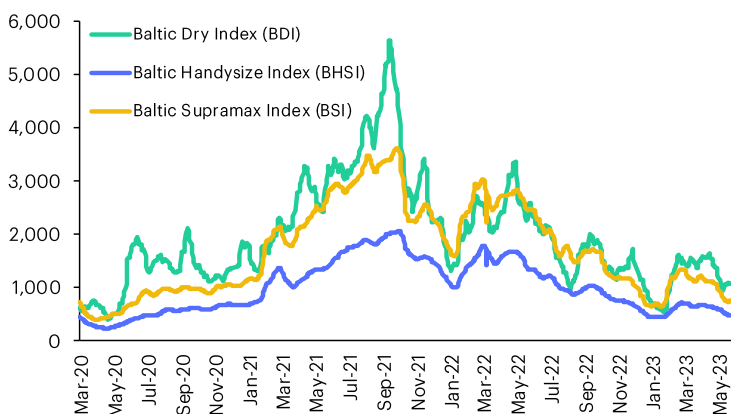
Registration No.111124

Email: boonyakorn.am@pi.financial

Preview summary

(Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23E	%QoQ	%YoY
Revenue	2,616	2,500	1,731	1,146	1,339	16.9	(48.8)
Cost of sales	(775)	(986)	(873)	(885)	(900)	1.7	16.1
Gross profit	1,842	1,513	859	261	439	68.4	(76.1)
SG&A	(116)	(118)	(138)	(112)	(120)	7.6	3.4
Other (exp)/inc	1	0	0	-	-	-	(100.0)
EBIT	1,726	1,395	721	149	319	113.8	(81.5)
Finance cost	(95)	(107)	(109)	(104)	(104)	0.4	9.7
Other inc/(exp)	1	2	11	7	-	(100.0)	(100.0)
Earnings before taxes	1,632	1,291	622	53	215	308.0	(86.8)
Income tax	-	-	(15)	(0)	-	-	-
Earnings after taxes	1,632	1,291	607	53	215	309.9	(86.8)
Equity income	7	10	10	2	2	22.5	(69.8)
Minority interest	-	(0)	0	-	-	-	-
Earnings from cont. operations	1,639	1,301	618	54	217	301.2	(86.7)
Forex gain/(loss) & unusual items	21	47	(69)	25	-	(100.0)	(100.0)
Net profit	1,660	1,348	549	79	217	176.0	(86.9)
EBITDA	2,053	1,764	1,095	494	661	33.9	(67.8)
Recurring EPS (Bt)	1.05	0.83	0.40	0.03	0.14	301.2	(86.7)
Reported EPS (Bt)	1.06	0.86	0.35	0.05	0.14	176.0	(86.9)
Profits (%)	2Q22	3Q22	4Q22	1Q23	2Q23E	%QoQ	%YoY
Gross margin	70.4	60.5	49.6	22.8	32.8	10.0	(37.6)
Operating margin	66.0	55.8	41.6	13.0	23.8	10.8	(42.1)
Net margin	63.4	53.9	31.7	6.9	16.2	9.4	(47.2)

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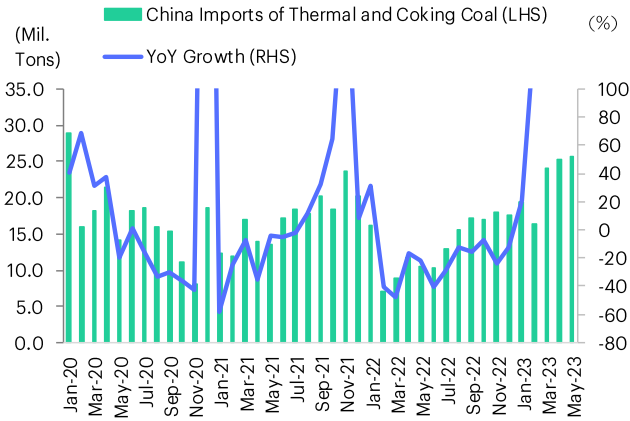


Source: Pi research, Bloomberg

	2023E		Change (%)	2024E		Change (%)
	Revised	Previous		Revised	Previous	
Financials						
Revenue (Bt m)	5,132	5,195	(1.2)	5,524	5,470	1.0
Gross profit (Bt m)	1,783	2,020	(11.7)	2,290	2,281	0.4
Net profit (Bt m)	955	1,190	(19.8)	1,493	1,485	0.6
EPS (Bt/share)	0.61	0.76	(19.8)	0.96	0.95	0.6
Key financial ratios						
Revenue growth (%)	(43.8)	(43.1)	(0.7)	7.6	(5.8)	13.4
Gross profit margin (%)	34.7	38.9	(4.1)	41.5	41.7	(0.3)
SG&A to sales (%)	11.8	11.6	0.1	11.0	11.1	(0.1)
Net profit growth (%)	(80.3)	(75.5)	(4.9)	56.4	24.7	31.7
Net profit margin (%)	18.6	22.9	(4.3)	27.0	27.1	(0.1)

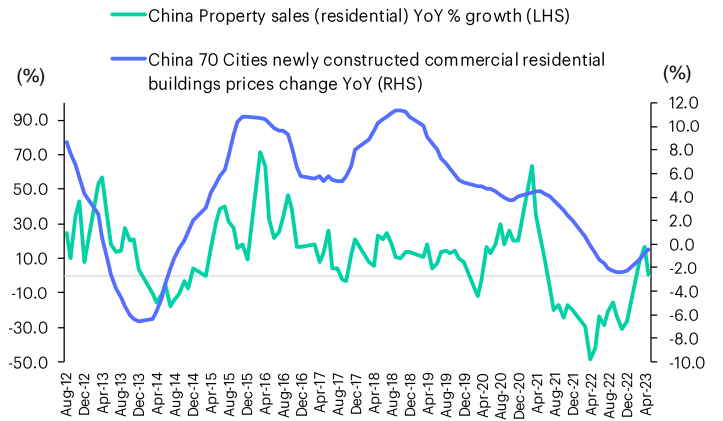
Source: Pi research, Company data

China's coal imports show sign of rebound



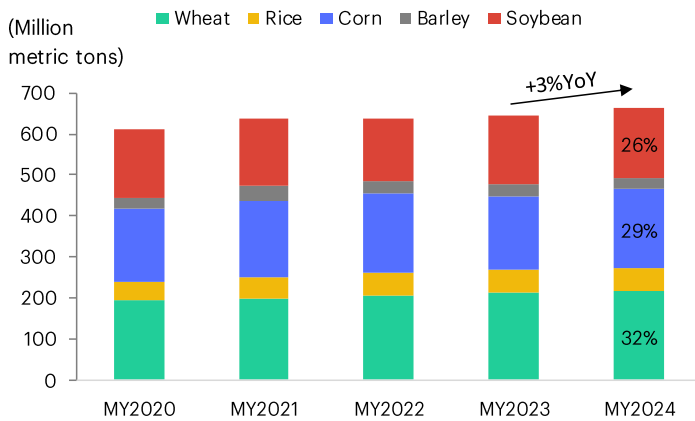
Source: Pi research, Bloomberg

China's property sector downturn seems to



Source: Pi research, Bloomberg

Global exported agri. products are expected to rise



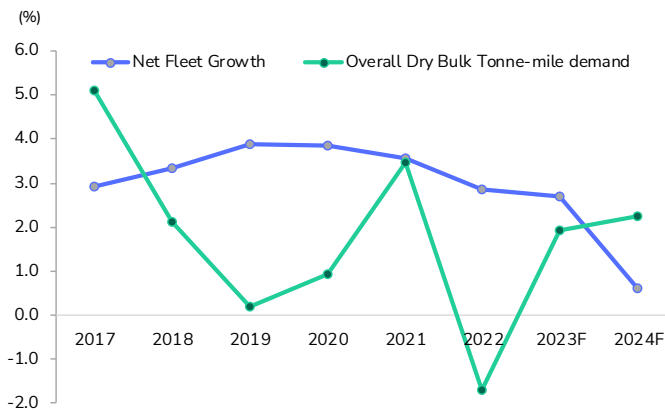
Source: Pi research, USDA. MY (marketing year: starting from June-May)

Valuation fell below 5-year average P/BV



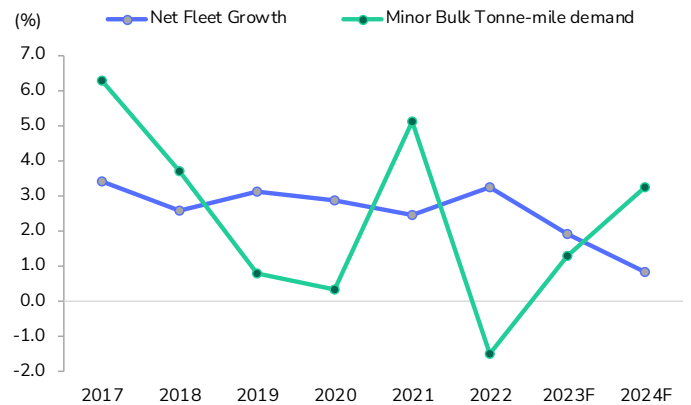
Source: Pi research, company data

Seaborne Dry bulk supply and demand



Source: Pi research, Clarksons

Minor bulk supply and demand growth



Source: Pi research, Clarksons

Summary financials

Balance Sheet (Bt m)	2021	2022	2023E	2024E	2025E
Cash & equivalents	2,468	1,056	767	2,214	3,722
Accounts receivable	175	279	127	136	137
Inventories	22	42	27	27	27
Other current assets	144	181	183	184	186
Total current assets	2,810	1,557	1,103	2,561	4,072
Invest. in subs & others	106	99	99	99	99
Fixed assets - net	20,291	22,054	21,028	19,989	18,939
Other assets	324	594	601	609	616
Total assets	23,531	24,304	22,830	23,258	23,726
Short-term debt	-	-	-	-	-
Accounts payable	105	229	164	159	160
Other current liabilities	1,811	1,638	1,311	1,193	1,091
Total current liabilities	1,917	1,867	1,475	1,352	1,251
Long-term debt	6,809	5,547	4,715	4,008	3,407
Other liabilities	440	426	435	439	444
Total liabilities	9,165	7,841	6,626	5,799	5,102
Paid-up capital	1,559	1,559	1,559	1,559	1,559
Premium-on-share	2,140	2,140	2,140	2,140	2,140
Others	(419)	288	288	288	288
Retained earnings	11,084	12,475	12,217	13,471	14,636
Non-controlling interests	0	0	0	0	0
Total equity	14,365	16,463	16,205	17,459	18,624
Total liabilities & equity	23,531	24,304	22,830	23,258	23,726

Income Statement (Bt m)	2021	2022	2023E	2024E	2025E
Revenue	8,615	9,129	5,132	5,524	5,552
Cost of goods sold	(3,305)	(3,401)	(3,349)	(3,234)	(3,246)
Gross profit	5,311	5,728	1,783	2,290	2,305
SG&A	(572)	(515)	(605)	(608)	(611)
Other income / (expense)	2	3	2	2	2
EBIT	4,740	5,216	1,180	1,684	1,697
Depreciation	1,215	1,326	1,330	1,343	1,355
EBITDA	5,980	6,585	2,540	3,057	3,082
Finance costs	(415)	(392)	(251)	(213)	(181)
Non-other income / (expense)	2	15	10	10	10
Earnings before taxes (EBT)	4,327	4,838	939	1,481	1,525
Income taxes	(2)	(15)	(5)	(7)	(8)
Earnings after taxes (EAT)	4,325	4,823	935	1,473	1,518
Equity income	23	29	20	20	20
Non-controlling interests	(0)	(0)	-	-	-
Core Profit	4,348	4,852	955	1,493	1,538
FX Gain/Loss & Extraordinary	127	(1)	-	-	-
Net profit	4,475	4,851	955	1,493	1,538
EPS (Bt)	2.87	3.11	0.61	0.96	0.99

Cashflow Statement (Bt m)	2021	2022	2023E	2024E	2025E
CF from operation	5,895	6,604	2,386	2,826	2,895
CF from investing	(235)	(2,416)	(300)	(300)	(300)
CF from financing	(4,423)	(5,705)	(2,375)	(1,078)	(1,086)
Net change in cash	1,237	(1,517)	(289)	1,447	1,508

Valuation	2021	2022	2023E	2024E	2025E
EPS (Bt)	2.87	3.11	0.61	0.96	0.99
Core EPS (Bt)	2.79	3.11	0.61	0.96	0.99
DPS (Bt)	1.50	1.75	0.15	0.24	0.25
BVPS (Bt)	9.2	10.6	10.4	11.2	11.9
EV per share (Bt)	12.6	12.7	12.4	11.0	9.6
PER (x)	3.4	3.2	16.1	10.3	10.0
Core PER (x)	3.5	3.2	16.1	10.3	10.0
PBV (x)	1.1	0.9	0.9	0.9	0.8
EV/EBITDA (x)	3.3	3.0	7.6	5.6	4.9
Dividend Yield (%)	15.2	17.8	1.6	2.4	2.5

Profitability Ratios (%)	2021	2022	2023E	2024E	2025E
Gross profit margin	61.6	62.7	34.7	41.5	41.5
EBITDA margin	69.4	72.1	49.5	55.3	55.5
EBIT margin	55.0	57.1	23.0	30.5	30.6
Net profit margin	51.9	53.1	18.6	27.0	27.7
ROA	19.0	20.0	4.2	6.4	6.5
ROE	31.2	29.5	5.9	8.6	8.3

Financial Strength Ratios	2021	2022	2023E	2024E	2025E
Current ratio (x)	1.5	0.8	0.7	1.9	3.3
Quick ratio (x)	1.5	0.8	0.7	1.9	3.2
Int.-bearing Debt/Equity (x)	0.5	0.3	0.3	0.2	0.2
Net Debt/Equity (x)	0.3	0.3	0.2	0.1	(0.0)
Interest coverage (x)	11.4	13.3	4.7	7.9	9.4
Inventory day (days)	3	3	3	3	3
Receivable day (days)	7	9	9	9	9
Payable day (days)	12	18	18	18	18
Cash conversion cycle	(2)	(5)	(6)	(6)	(6)

Growth (% YoY)	2021	2022	2023E	2024E	2025E
Revenue	131	6	(44)	8	1
EBITDA	329	10	(61)	20	1
EBIT	2,865	10	(77)	43	1
Core profit	N.M.	12	(80)	56	3
Net profit	N.M.	8	(80)	56	3
EPS	N.M.	8	(80)	56	3

Source : Company Data, Pi Research

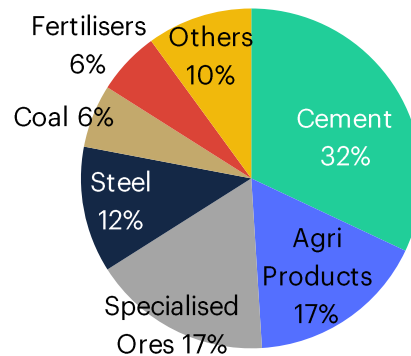
Revenue breakdown

- Currently, the company operates 38 dry bulk carriers with a total 1,657,579 DWT. The fleet comprises 22 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. PSL operates its fleet on a tramp-shipping basis, covering all regions. Principal cargoes handled by the company are cement 32%, agricultural products 17%, steel 9%, fertilizers 10%, ore 10%, coal 7%, and other items 15%.

The company offers two types of cargo services:

- Voyage charter, 1% revenue contribution: The charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs, including the cost of bunker fuel.
- Time charter, 99% revenue contribution: The charterer will hire PSL to operate the vessel for an agreed period of time. The charterer bears all voyage costs, including the cost of bunker fuel.

PSL's Fleet	Average DWT	No.
Cement Carriers	21,140	4
Ultramax	63,126	8
Supramax	55,707	9
Handymax	33,322	17
Total PSL's DWT	1,657,579	38



Number of Voyages and % of Total Voyages)

OVERALL ESG SCORE: 93%

Environmental

100%

Does the company have a resource reduction policy?

Yes

The company has installed retrofitting fuel-saving devices on some of its vessels to improve their performance. Moreover, several older and less fuel-efficient vessels in its fleet were replaced between 2013 to 2017 with 'Eco' vessels in order to reduce fuel consumption. PSL states that new Eco vessels emit approximately 35% less CO2 per unit transport work as compared to the older vessels in the fleet.

Is the company engaged in emissions trading or any other way tries to reduce its climate footprint?

Yes

The company's vessels abide by the new IMO 2020 standard and use low sulfur fuel oil to power their diesel engines and boilers, this will reduce the amount of sulfur leaking into the ocean and cause less CO2 emission into the atmosphere.

Does the company have an emissions/waste policy?

Yes

The company's vessels maintain records of their carbon dioxide emissions. The global average for carbon intensity per transport, measured in grams of CO2 emitted per ton/nautical mile is 14gms, compared to the company's fleet average of 7 to 10 grams.

Social

100%

Does the company have any health & safety policy?

Yes

Yes, the company provides a safe work environment and competitive compensation, with a good welfare and benefits structure for employees. The Company's Safety Management System (SMS) is intended to affirm that the Company achieves its purpose in this area and is based on the philosophy that accidents can be prevented by the identification and management of risk.

Does the company have a human rights policy?

Yes

Yes, the company provides equal opportunities in employment and career advancement without prejudice with regard to race, gender, religion or age. The Company also gives importance to anti-discrimination throughout its operations and promotes diversity in its workforce at both the management and staff levels.

Has the company implemented quality management systems?

Yes

PSL's fleet is technically managed by Great Circle Shipping Agency Ltd, a wholly-owned subsidiary of the company that was certified with ISO 9001 and ISO 14001 standards. These are compliant with Environment Management System certification.

Governance

80%

Is the percentage of independent directors more than Thailand's average of 38%?

No

Thirty three percent of directors are independent, which is lower than the average for Thailand.

Is the Chairman also CEO (or equivalent)?

No

No, Chairman Chaipatr Srivisarvacha, is not the CEO of the company.

Does the company have any shareholder rights policy?

Yes

Shareholders' rights are reported in the Corporate Governance section on the company's website and in its annual report.

Corporate Governance Report of Thai Listed Companies 2022

CG Rating by the Thai Institute of Directors Association (Thai IOD)

สมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (IOD)

ผลสำรวจการกำกับดูแลกิจการบริษัทจดทะเบียนที่แสดงไว้นี้ เป็นผลที่ได้จากการสำรวจและประเมินข้อมูลที่บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย และตลาดหลักทรัพย์ เอ็ม เอ ไอ ("บริษัทจดทะเบียน") เปิดเผยต่อสาธารณะ และเป็นข้อมูลสำหรับผู้ลงทุนทั่วไปสามารถเข้าถึงได้ ผลสำรวจดังกล่าวจึงเป็นการนำเสนอข้อมูลในมุมมองของบุคคลภายนอกต่อมาตรฐานการกำกับดูแลกิจการของบริษัทจดทะเบียน โดยไม่ได้เป็นการประเมินผลการปฏิบัติงานหรือการดำเนินงานของบรรษัทจดทะเบียน อีกทั้งมิได้ใช้ข้อมูลภายในของบรรษัทจดทะเบียนในการประเมิน ดังนั้น ผลสำรวจที่แสดงนี้จึงไม่ได้เป็นการรับรองถึงผลการปฏิบัติงานหรือการดำเนินงานของบรรษัทจดทะเบียน และไม่ถือเป็นการให้คำแนะนำในการลงทุนในหลักทรัพย์ของบรรษัทจดทะเบียนหรือคำแนะนำใดๆ ผู้ใช้ข้อมูลจึงควรใช้วิจารณญาณของตนเองในการวิเคราะห์และตัดสินใจในการใช้ข้อมูลใดๆ ที่เกี่ยวกับบรรษัทจดทะเบียนที่แสดงในผลสำรวจนี้ทั้งนี้ บริษัทหลักทรัพย์ ฝาย จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าว

ช่วงคะแนน	สัญลักษณ์	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	na.	na.

ความหมายของคำแนะนำ

"ซื้อ" เนื่องจากราคาปัจจุบัน ต่ำกว่า มูลค่าตามบัญชีพื้นฐาน โดยคาดหวังผลตอบแทนขั้นต่ำ 10% (ไม่รวมเงินปันผล)

"ถือ" เนื่องจากราคาปัจจุบัน ต่ำกว่า มูลค่าตามบัญชีพื้นฐาน โดยคาดหวังผลตอบแทนระหว่าง 0% - 10% (ไม่รวมเงินปันผล)

"ขาย" เนื่องจากราคาปัจจุบัน สูงกว่า มูลค่าตามบัญชีพื้นฐาน (ไม่รวมเงินปันผล)

หมายเหตุ : ผลตอบแทนที่คาดหวังอาจเปลี่ยนแปลงตามความเสี่ยงของตลาดที่เพิ่มขึ้น หรือลดลงในขณะนั้น

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Stock Rating Definition

BUY The stock's total return is expected to exceed 10% over the next 6-12 months. The stock has good fundamentals and attractive valuations.

HOLD The stock's total return is expected to be between 0% - 10% over the next 6-12 months. The stock has good fundamentals, but may lack of near-term catalysts or its valuations are not attractive.

SELL The stock's total return is expected to fall below 0% or more over the next 6-12 months. Stock should be sold as negative total return is anticipated due to deteriorating fundamentals compared with its valuations.

The stock's expected total return is the percentage difference between the target price and the current price and excludes dividend yields.

รายงานฉบับนี้ จัดทำขึ้นโดยมีวัตถุประสงค์เพื่อนำเสนอข้อมูลและบทความการวิเคราะห์ โดยใช้ข้อมูลและข่าวสารต่างๆ ที่ได้รับการเผยแพร่ต่อสาธารณะ ตลอดจนจากการสัมภาษณ์ผู้บริหารของบริษัทต่างๆ มาประกอบและได้พยายามตรวจสอบความถูกต้องอย่างระมัดระวัง แต่ก็ไม่สามารถยืนยันความถูกต้องได้อย่างสมบูรณ์ การวิเคราะห์ในรายงานฉบับนี้ได้พยายามยึดมาตรฐานบนหลักการวิเคราะห์ทางด้านปัจจัยพื้นฐานมาเป็นบทสรุปและข้อเสนอแนะ โดยมีเจตนาที่จะนำไปสู่การขึ้นนำแต่อย่างใด ซึ่งข้อเสนอแนะเหล่านี้ เป็นข้อคิดเห็นของนักวิเคราะห์ ซึ่งบริษัทฯ ไม่จำเป็นต้องเห็นด้วยกับข้อคิดเห็นดังกล่าวเสมอไป ทั้งนี้ นักลงทุนและผู้ใช้รายงานฉบับนี้ควรใช้วิจารณญาณส่วนตัวประกอบ ด้วย