



Precious Shipping PCL

PSL TB Outperform

Target Price Bt 6.50

Price (25/09/2020) Bt 5.15

Upside % 26.21

Valuation PBV

Sector Transportation & Logistics

Market Cap Btm 8,030

30-day avg turnover Btm 68.43

No. of shares on issue m 1,559

CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Revenue (Btmn)	4,152	3,927	4,503	4,676
Core profit (Btmn)	-223	-351	301	460
Net profit (Btmn)	-228	-1,226	301	460
Net EPS (Bt)	-0.15	-0.79	0.19	0.30
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	7.41	6.63	6.82	7.12
Net EPS growth (%)	-150.09	-436.42	124.55	52.93
ROA (%)	-0.86	-5.25	1.42	2.26
ROE (%)	-1.88	-11.20	2.87	4.24
Net D/E (x)	0.99	0.92	0.78	0.62
Valuation				
P/E (x)	-35.15	-6.55	26.68	17.45
P/BV (x)	0.69	0.78	0.76	0.72
EV/EBITDA (x)	11.53	12.52	8.46	7.61
Dividend yield (%)	0.00	0.00	0.00	0.00

PSL TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

Riding the BDI wave

- ▶ PSL is a pure play in the dry bulk sector with experienced management and a young fleet to capture the bull shipping market.
- ▶ Expect net income to break even in 3Q20 and turn to a profit in 4Q20 on higher time charter (TC) rates. Profitable level is a TC rate of US\$10,000.
- ▶ Initiate coverage with an Outperform rating and TP of Bt6.50 pegged to 0.95x PBV (-0.5SD its historical mean) and average 2021-22E BVPS.

Investment Highlights

- ▶ **A pure play in the dry bulk sector to capture a BDI upturn.** PSL operates a dry bulk shipping business with 36 vessels. PSL's fleet, which has a present average age of 8.8 years, is younger than the global fleet average age of 10.5 years. **The KS Small Cap Series** picks PSL as we believe the stock will generate market-beating returns in 2H20 supported by a strong earnings turnaround on higher freight rates resulting from a global economic recovery, Chinese demand for restocking, and a tighter supply. We estimate the average Baltic Dry Index (BDI) will drop by 22% YoY to 1,045 in 2020E and recover by 25% YoY to 1,304 points in 2021.
- ▶ **Demand looks very strong in 2H20 and 2021E.** *Clarksons Research* estimates dry bulk trade to drop by 4.5% YoY to 5,016mn tons in 2020 due largely to a disruption from the COVID-19 pandemic, and it projects dry bulk trade to rebound by 4.6% YoY in 2021, in line with a global economic recovery. We also expect strong restocking demand from China following low inventory levels, global trade (supply chain) uncertainty over a second wave of COVID-19 infections worldwide, and stronger domestic demand as domestic tourists will provide a boost to China's economy.
- ▶ **A tighter fleet supply outlook.** We estimate the global supply of dry bulk vessels will be low for at least two years (average time to build a new vessel) due to a small vessel order book, slow deliveries and tighter lending for new projects following currently volatile and unattractive freight rates. *Clarksons Research* forecasts fleet capacity to grow by 3% YoY in 2020 and by 1% YoY in 2021. The accumulate global order book now stands at 7% of fleet capacity, a multi-decade low, from 4Q20-2023. In addition, 6.7% of the global fleet that is a potential target for scrapping as the average vessel age exceeds 20 years, and the number of old vessels will increase to 12% of total fleet by 2023. We expect a low order book and a high number of old vessels being scrapped will lead to tighter demand-supply and higher freight rates in 2H20-23.
- ▶ **Expect PSL to book a net loss of Bt23mn in 3Q20E and a profit in 4Q20.** PSL can be profitable at a TC rate of US\$10,000/vessel/day vs. a cash cost per vessel of ~US\$5,800, financial cost of US\$1,500, and depreciation expense of ~US\$3,000 per ship. We are bullish on the dry bulk shipping sector and expect a solid recovery in freight rates from 2H20 onward on a stronger demand outlook and tighter supply. We expect PSL's net income to break even in 3Q20 and turn to a profit in 4Q20 as the Supramax TC rate has increased by 45% QTD to US\$10,809 per vessel/day.

Valuation and Recommendation

- ▶ **Initiate coverage with an Outperform rating.** Our mid-2021 target price of Bt6.50 per share is based on an average 2021E and 2022E fully diluted BVPS of Bt7 pegged to a PBV of 0.95x (-0.5SD its historical mean).
- ▶ **Key risk:** are volatile freight rates and credit risk.

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KS Small Cap Series

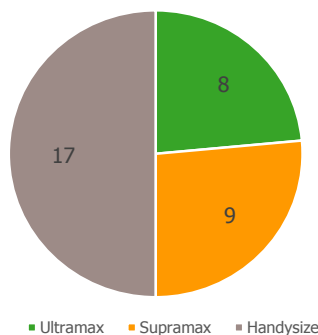
The KS Small Cap Series is our research product covering small cap stocks that aims to deliver the following investment objectives: 1) to be opportunistic in small cap stocks that are only lightly covered by analysts; 2) to generate market-beating returns from the size premium when large cap stocks offer only limited upside; 3) deliver growth to investors' portfolios from small cap companies still in their growth phase, while most large cap stocks have reached maturity; and 4) deliver diversification benefits to investors and reduce overall portfolio risk in the long run. However, stocks covered in this research product may have specific criteria and provide particular investment challenges, including 1) a market capitalization below Bt30bn; 2) average daily turnover below Bt100mn; 3) occasionally difficult corporate access; and 4) somewhat high earnings volatility.

Investment highlights

Strong outlook of freight rate from Chinese demand and tighter supply outlook

PSL owns and operates 36 dry bulk ships with a total capacity of 1.6mn DWT, or 44k DWT per ship. Its fleet comprises eight Ultramax ships, nine Supramax vessels, and 19 Handysize vessels (including four cement carriers). As a result, the key drivers and risks to PSL's earnings and share price are the Supramax and Handysize TC rates. An increase in TC rate will result in a higher gross margin, while a sharp decrease in TC rate will result in a lower gross margin. The KS Small Cap Series picks PSL as we believe the stock will generate market-beating returns in 4Q20 supported by a strong earnings turnaround on higher freight rates resulting from a global economic recovery, demand for restocking in China, and a tighter supply outlook. In addition, **PSL's share price has had a high correlation to Supramax and Handysize TC rates of 70% over the past five years.**

Fig 1 PSL's fleet



Source: Company data, KS Research

Fig 2 Dry bulk carrier types

Dry bulk carriers	Size
Capesize bulk carrier	100,000 dwt and above
Panamax bulk carrier	65,000–99,999 dwt
Ultramax bulk carrier	62,000 – 65,000 dwt
Supramax bulk carrier	40,000–64,999 dwt
Handysize bulk carrier	10,000–39,999 dwt

Source: Company data, KS Research

The Baltic Dry Index (BDI), which is an average composite of TC rates of the Capesize, Panamax and Supramax carriers, would drop by 22% YoY to 1,045 in 2020 as seaborne trade (demand side) is expected to decrease by 4.5% YoY to 5,016mn tons following the disruption from the COVID-19 pandemic on energy and steel demand, weak Brazilian iron ore exports in 1H20 resulting from the Brumadinho dam disaster, and a ban on Indonesian nickel ore exports. On the supply side, the global dry bulk fleet is expected to increase by 3% YoY to 912 DWT. Note that the BDI averaged 950 in 9M20 vs. 1,280 in 9M19.

The shipping analyst team of Jefferies (KS's cobranding partner) estimates the average daily earnings of the Capsize and Panamax sector to fall by 17%/11% YoY to US\$13,000 and US\$9,000 per day, respectively, in 2020. Jefferies expects average daily earnings of the Supramax and Handysize sectors to decrease by 16%/16% YoY to US\$8,000 and US\$7,200, respectively, in 2020. It believes the dry bulk shipping market will be much stronger in 2H20 than in 1H20 due to an economic recovery in China, increasing Brazilian iron ore exports, and low fleet growth.



Fig 3 Freight rates and Baltic Dry Index (BDI) movement

	2014	2015	2016	2017	2018	2019	2020E	2021E
Capesize (US\$/day)	13,191	7,299	7,959	13,875	15,750	15,750	13,000	16,000
Panamax (US\$/day)	6,615	7,149	9,125	12,000	12,000	10,125	9,000	11,500
Supramax (US\$/day)	10,819	7,366	6,154	9,125	11,875	9,500	8,000	10,000
Handysize (US\$/day)	8,846	6,550	5,698	8,213	10,688	8,550	7,200	9,000
BDI	1,105	719	676	1,149	1,349	1,344	1,045	1,304
BDI (% YoY)	-8.4%	-34.9%	-6.0%	70.0%	17.4%	-0.4%	-22.2%	24.7%
Demand growth (YoY)	5.6%	0.2%	1.4%	4.0%	2.7%	0.5%	-4.5%	4.6%
Supply growth (YoY)	4.8%	2.4%	2.4%	2.9%	3.4%	3.8%	3.0%	1.0%

Source: Jefferies, Bloomberg, and Clarkson

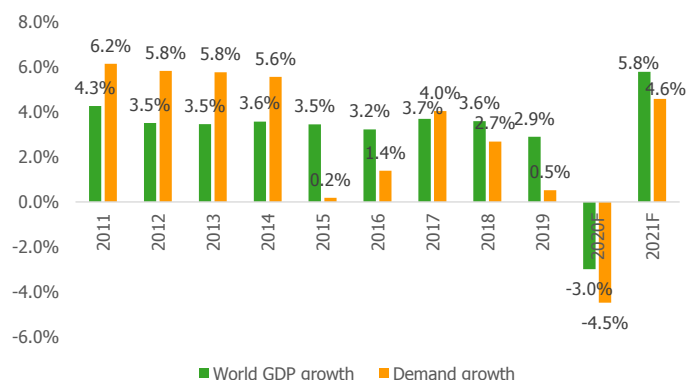
For 2021, *Jefferies* expects freight rates to recover substantially as demand growth will outpace supply, and foresees the dry bulk fleet growing at the slowest pace in two years in 2021 at 1% and demand growing by 4.6%. As a result, *Jefferies* expects average BDI to rise by 25% YoY to 1,304 points in 2021. Capsize and Panamax TC rates are expected to increase by 23%/28% YoY to US\$16,000 and US\$11,500 per day, respectively, in 2021. It also expects average daily earnings of the Supramax and Handysize sectors to grow by 25%/25% YoY to US\$10,000 and US\$9,000, respectively, in 2021.

We agree with *Jefferies'* view of a strong recovery of freight rates in 2H20 and 2021. We see at least three positive factors to support this view.

1) A turnaround in global GDP growth of 5.8% in 2021E.

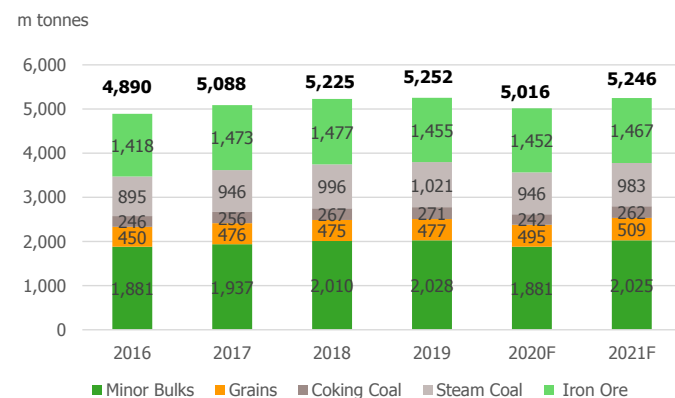
The IMF projects the global economy to grow by 5.8% in 2021 as economic activity normalizes helped by policy support and development of a COVID-19 vaccine. We believe this should boost industrial production and dry bulk trade in 2021. *Clarksons Research* expects the dry bulk trade to drop by 4.5% YoY to 5,016mn tons in 2020 due largely to the disruption from the COVID-19 pandemic but projects growth of 4.6% YoY in 2021 in line with a global economic recovery.

Fig 4 Global GDP growth vs. dry bulk trade growth



Source: IMF and Clarkson

Fig 5 Dry bulk trade in the seaborne market



Source: Clarkson and KS Research

2) Restocking demand from China

We expect strong demand for restocking from China following low inventory levels, uncertainty regarding global trade (supply chain) from a second outbreak of COVID-19 worldwide, and stronger domestic demand as domestic tourists provide a boost to the Chinese economy.



According to Jefferies' head of China strategy Alexious Lee, mid-stream (manufacturers) inventory in 1H20 dropped by 5.2% HoH to Rmb2.8trn due effective channel destocking and a supply disruption in 2Q20. A-share ex-financials inventory turnover fell to 138 days (from 178) in 2Q20 with major destocking in heavy industries (auto, machinery, capital goods, etc.) rather than light industries (white goods, electronic, clothing, etc). As domestic consensus forecasts demand to grow by 10-15% YoY in 2H20, he estimates production growth of 29-32% YoY to achieve 100% of the peak inventory level seen in 2019 and growth of 20-25% YoY to achieve 90%. Upstream inventory (commodity) also dropped by 2.2% HoH to Rmb1.4trn in 1H20 as mid-stream de-stocking cycle is completed in May. As a result, suppliers in the shipping, auto, hard and soft commodities, E&C, home appliance, and machinery sectors will benefit the most.

Fig 6 China A share inventory levels

Inventory level - Rmbbn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Mid-stream	2,710	2,666	2,830	2,731	2,714	2,814	2,913	2,903	2,752	2,752
Auto Components	100	102	106	106	101	101	106	106	107	103
Autos	122	131	141	132	134	136	139	133	140	137
Consumer Durables	274	274	306	324	326	320	335	343	330	322
Defense	140	147	155	137	131	138	155	140	141	141
EPC	1,692	1,617	1,708	1,636	1,603	1,688	1,742	1,751	1,564	1,569
Machinery	382	395	413	396	418	430	436	431	470	480
Upstream	1,315	1,352	1,397	1,370	1,422	1,460	1,466	1,470	1,508	1,437
Energy	454	494	500	462	498	515	500	487	467	453
Materials	862	858	897	908	924	945	967	983	1,040	984
Total (A-share)	10,739	10,955	11,630	11,624	11,905	12,332	12,963	13,083	13,044	13,257

Source: Jefferies

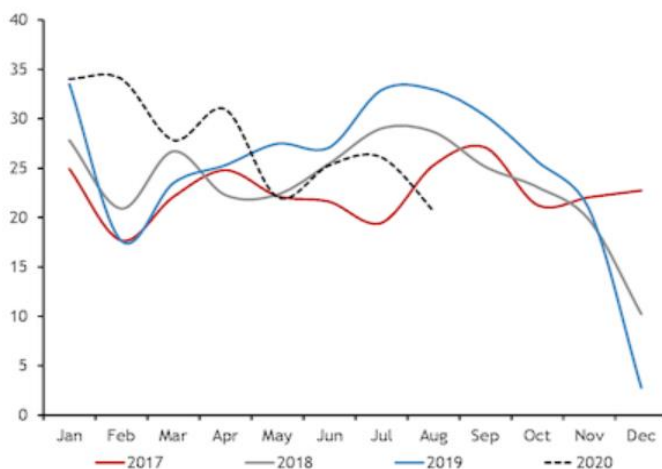
Fig 7 China A share inventory as a percentage of sales

Inventory as % sales	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Mid-stream	124%	104%	119%	89%	116%	103%	112%	84%	139%	88%
Auto Components	66%	61%	67%	60%	64%	64%	67%	52%	83%	66%
Autos	31%	34%	39%	31%	38%	41%	38%	29%	61%	35%
Consumer Durables	73%	68%	77%	77%	85%	76%	82%	81%	112%	79%
Defense	376%	226%	281%	147%	297%	211%	310%	135%	339%	195%
EPC	180%	138%	156%	106%	150%	122%	137%	95%	157%	95%
Machinery	139%	109%	133%	98%	128%	113%	128%	102%	163%	105%
Upstream	50%	45%	44%	41%	48%	44%	45%	43%	57%	49%
Energy	31%	31%	29%	25%	30%	29%	29%	26%	34%	36%
Materials	75%	61%	63%	61%	72%	62%	62%	63%	84%	59%
Total (A-share)	105%	98%	102%	89%	103%	100%	105%	91%	122%	103%

Source: Jefferies

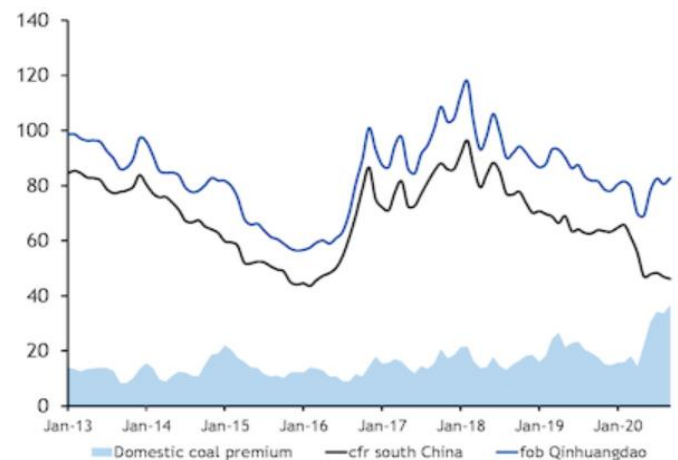
Tight supplies of domestic coal coupled with an increase in power plants' restocking ahead of scheduled maintenance of the Daqin railway line, which is the main route to transport coal from inland China, pushed up domestic coal prices for four consecutive weeks. Qinhuangdao NAR 5,500 kcal/kg coal increased from \$79.88/t fob on August 14 to \$86.49/mt on September 18. A rapid increase in China's domestic coal prices has led buyers to look for import substitutions. China curbed coal imports since 2018 through quota and quality restrictions to help domestic coal mines. The National Development and Reform Commission (NDRC) recently met to discuss coal supplies for the winter season. There was no conclusion, but a tight supply of domestic coal and seasonal demand from winter may lead to a possible easing of coal import restrictions, which would allow buyers to import coal from seaborne markets.

Fig 8 Chinese coal imports mt (metric tons)



Source: Argus

Fig 9 Domestic vs imported Chinese coal prices \$/mt

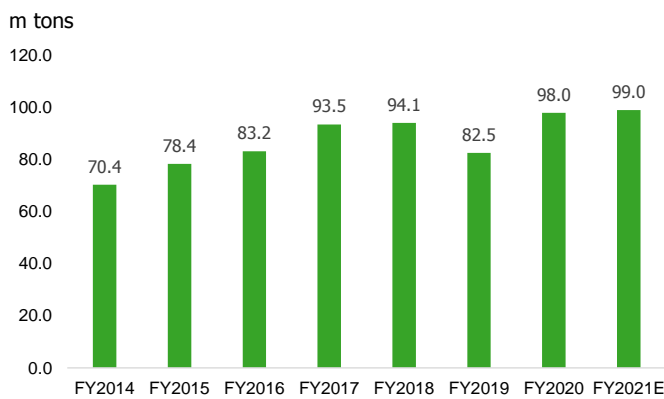


Source: Argus



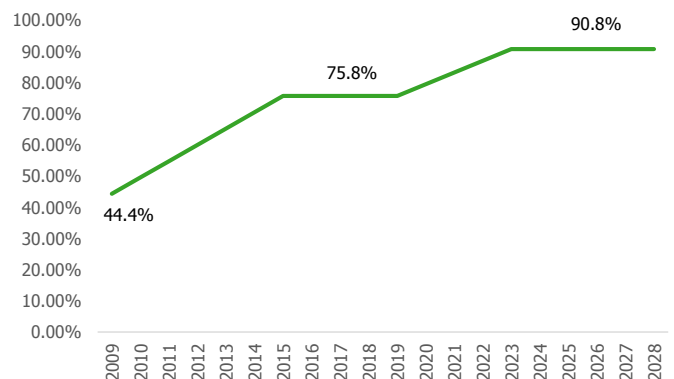
We expect China's grain imports to grow strongly in 2H20 and 2021. The United States Department of Agriculture (USDA) forecasts soybean imports from China, the largest buyer with a 60% market share of global trade, will hit a record-high 99mn metric tons in FY2021 (May 20-April 21) vs. an average of 90mn tons the past five years. According to an agreement signed in January between the US and China, China is committed to buying \$12.5bn worth of American agricultural goods in 2020 and another \$19.5bn in 2021. In addition, China's hog production capacity bottomed out in 2019 after the outbreak of African swine fever and recovered strongly this year. According to the director of China's Animal Husbandry and Veterinary Bureau, China's stock of productive sows increased by 29% YoY in September 2020. Note that the Chinese government issued a food safety policy to boost its stock-to-use ratio in agricultural commodities from the current 75% to 90% by end-2025, and this will support the seaborne grain trade in the long term.

Fig 10 Chinese imports of soybean m metric tons



Source: USDA, KS Research

Fig 11 China's stock-to-use ratio of grains

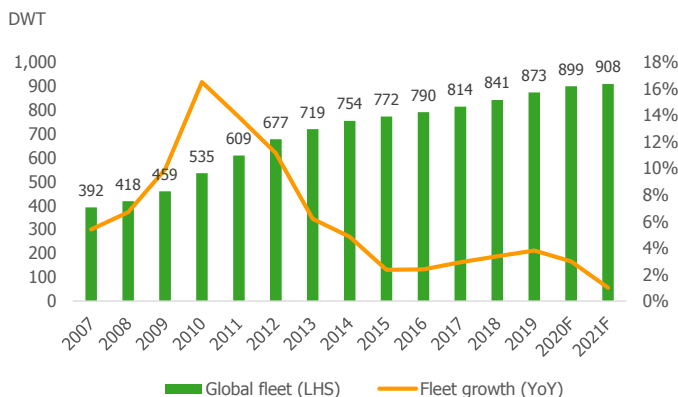


Source: KBANK

3) Tighter fleet supply outlook

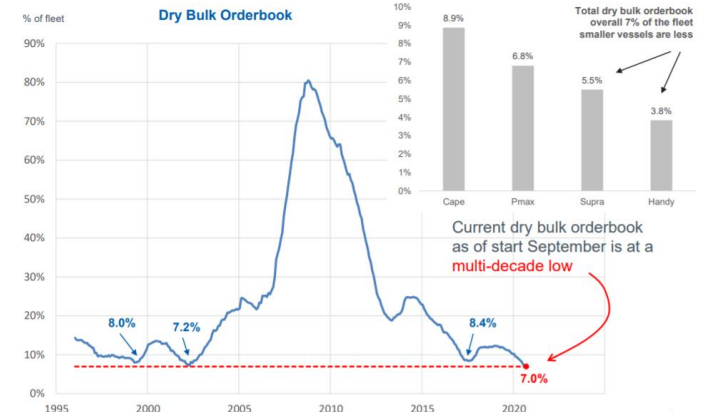
We estimate the global fleet will be muted for at least two years (average time to build a new vessel) due to a small vessel order book, slow deliveries and tighter lending for new projects following volatile and unattractive freight rates currently. *Clarksons Research* forecasts fleet capacity to grow by 3% YoY in 2020 and by 1% YoY in 2021. The global order book now stands at 7% of total fleet capacity, a multi-decade low, from 4Q20-2023. In addition, 6.7% of the global fleet is a potential target for scrapping as the average vessel age is over 20 years. *Clarksons* expects the number of ships over 20 years of age to increase to 12% of the total fleet by 2023. As a result of a low accumulated order book and potential scrapping of old vessels, we expect the dry bulk market to tighten and lead to higher freight rates.

Fig 12 Global fleet (DWT)



Source: USDA, KS Research

Fig 13 Vessel order book as % of total fleet



Source: Pacific Basin



A severe oversupply had pushed freight rates to record lows in 1Q16 and triggered a wave of bankruptcies in the dry bulk sector. Banks have tightened lending for new projects and forced borrowers in this sector to raise capital to cope with liquidity and operating needs. As a result of this, we expect a low order book to continue in the foreseeable future until freight rates recover to a profitable level long enough for bulkers to deleverage their balance sheet after a long tough cycle.

Expect PSL to book a net loss of Bt23mn in 3Q20 and turn to a profit in 4Q20

PSL can be profitable at a TC rate of US\$10,000/vessel/day vs. a cash cost/vessel of US\$5,800, a financial cost of US\$1,500, and depreciation expense of ~US\$3,000 per ship. We are bullish on the dry bulk shipping sector as we expect a solid recovery in freight rates from 2H20 onward on a stronger demand outlook and tighter supply. We expect PSL's net income to break even in 3Q20 and turn to a profit in 4Q20 as the Supramax TC rate has increased by 45% QTD to US\$10,809 per vessel/day.

Fig 14 3Q20 earnings preview

	3Q19	4Q19	1Q20	2Q20	3Q20E	%YoY	%QoQ	2020E	2021E	% change	2022E
Financials											
Sales (Btmn)	1,045	1,150	1,055	680	1,045	0.0	53.6	3,927	4,503	14.7	4,676
EBITDA (Btmn)	438	514	379	-156	135	-69.2	186.5	1,404	1,926	37.2	1,953
Operating profit (Btmn)	144	175	63	-156	135	-6.2	186.5	298	882	195.8	966
Core profit (Btmn)	-32	31	-133	-293	-23	27.0	92.0	-351	301	185.7	460
Net profit (Btmn)	-29	28	-117	-1,183	-23	20.2	98.0	-1,226	301	124.6	460
Net EPS (Bt)	-0.02	0.02	-0.08	-0.76	-0.02	20.2	98.0	-0.79	0.19	124.6	0.30
Performance Drivers											
Number of vessels	36	36	36	36	36	0.0	0.0	36	36	0.0	36
Operating days	3,312	3,312	3,276	3,276	3,285	-0.8	0.3	13,122	13,140	0.1	13,140
TC rates (US\$/day)	9,617	10,628	8,398	9,002	10,098	5.0	12.2	9,611	10,738	11.7	11,167
USDTHB	30.8	30.3	31.4	31.5	31.5	2.3	0.0	31	31	-1.6	31
OPEX (US\$/day)	4,575	4,787	4,602	4,625	4,648	1.6	0.5	4,637	4,730	2.0	4,825
SG&A (US\$/day)	1,278	1,659	1,085	1,154	1,173	-8.2	1.7	1,162	1,233	6.1	1,264
Ratios											
Gross margin (%)	25.6	29.3	13.8	-11.1	0.0	-25.6	11.1	17.9	30.5	12.6	31.5
EBITDA margin (%)	42.0	44.7	35.9	-22.9	12.9	-29.1	35.8	35.7	42.8	7.0	41.8
Optg. margin (%)	13.8	15.2	6.0	-22.9	0.0	-13.8	22.9	7.6	19.6	12.0	20.7
ROE (%)	-0.3	0.2	-1.0	0.0	0.0	0.3	0.0	-11.2	2.9	14.1	4.2

Source: Company data, KS Research

Fig 15 Key assumptions

	2017	2018	2019	2020E	2021E	2020E
Number of vessels	36	36	36	36	36	36
Operating days	13,959	13,140	13,140	13,122	13,140	13,140
TC rates (US\$/day)	9,486	11,063	9,622	9,611	10,738	11,167
USDTHB	32.6	32.4	29.8	31.0	30.5	30.5
OPEX (US\$/day)	4,336	4,621	4,778	4,637	4,730	4,825
SG&A (US\$/day)	888	1,064	1,394	1,162	1,233	1,264
Financial cost (US\$/day)	2,111	1,940	1,796	1,556	1,449	1,262
Depreciation (US\$/day)	2,571	2,783	3,022	3,052	3,083	3,114
Total cost (US\$/day)	9,906	10,408	10,990	10,407	10,494	10,465

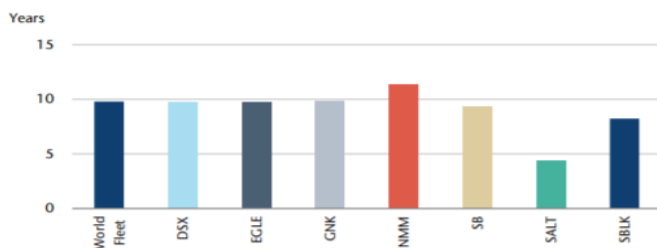
Source: KS Research



A pure dry bulk sector play with experienced management and a young fleet

PSL is one of the best-managed dry bulk shipping companies in the world led by its CEO Khalid Moinuddin Hashim, who has run PSL since 1991. PSL employs a “buy low, sell high” strategy by 1) acquiring new ships to replace older ships when the BDI collapses; 2) refraining from buying assets during peak years; and 3) securing long-term time charters for its vessels when rates are high. PSL had sold over 30 old vessels during peaks in FY07-09 and replaced them with larger vessels during bear markets in FY10-17. This improved its average fleet age to a record low of five years in FY17 from 20 years in FY07 and expanded its fleet to 36 vessels with an average 44K DWT per vessel from 21 vessels in FY2010. Note that its current fleet has an average age of 8.8 years vs. the industry average 10.5 years.

Fig 16 Average age of the global dry bulk fleet



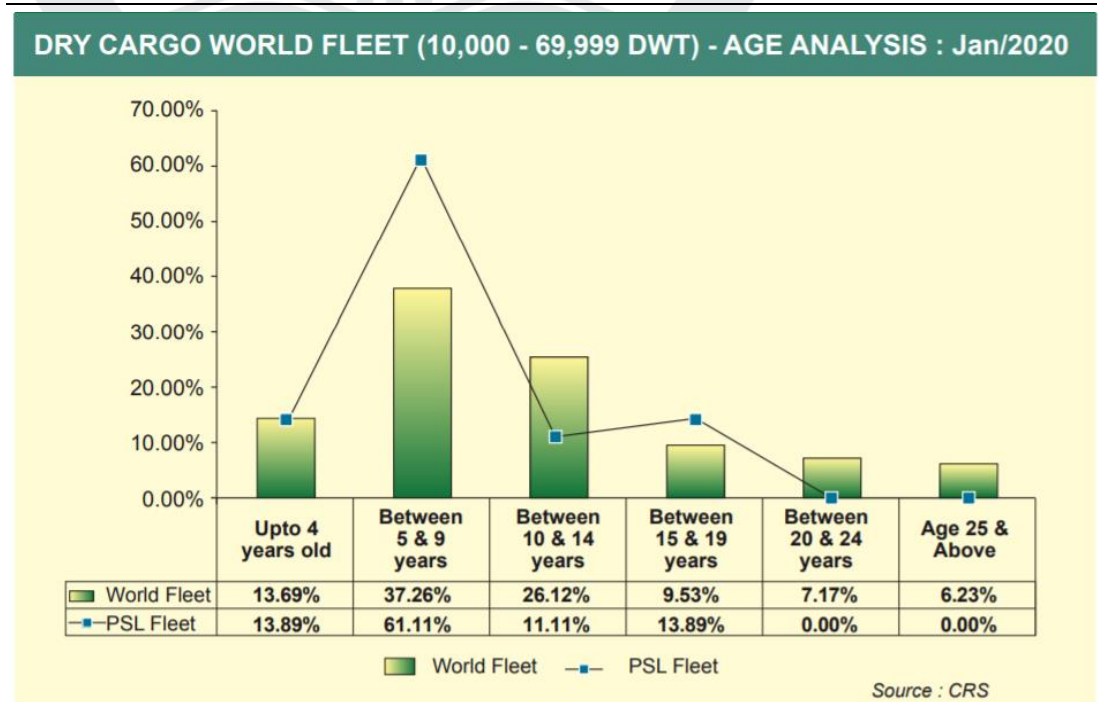
Source: Jefferies

Fig 17 Global dry bulk fleet

Ship Type	DWT Range (MT)	Ships	Av Age (yrs)	Total DWT (m MT)
Handysize	10,000 – 39,999	4,006	12.16	108.97
Supra/Ultramax	40,000 – 69,999	3,745	10.05	209.99
Panamax	70,000 – 89,999	2,407	9.94	190.89
Capesize	90,000+	2,124	8.78	384.31
Total / Average		12,282	10.50	894.16

Source: Company data (as of 30 June 2020)

Fig 18 PSL' fleet age of 8.8 years is younger than the global fleet age of 10.5 years



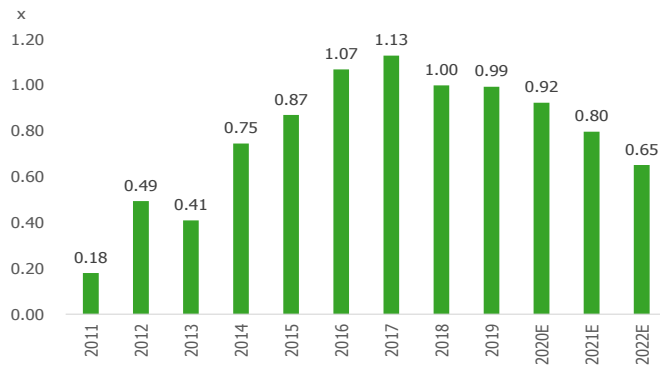
Source: Jefferies, Bloomberg, and Clarkson



Key risks and concerns

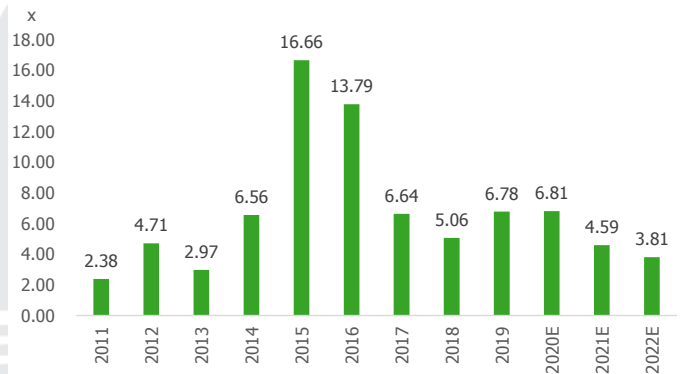
PSL's risks entail volatile freight rates and credit risk. The shipping industry has been highly cyclical and seasonal, experiencing volatility in profitability, vessel values and freight rates resulting from changes in the supply of and demand for shipping capacity. In the past 10 years, the dry bulk shipping sector has been working through overcapacity in the industry as a result of excessive vessel orders during boom periods. Severe oversupplies pushed freight rates to very low levels and resulted in PSL experiencing net losses for 8 out of the last 10 years during 2011-2020. As a result of this, its net D/E ratio jumped from 0.2x in 2011 to 1x in 1H20 and net Debt/EBITDA should jump from 2.4x in 2011 to our projection of 6.8x in 2020E. PSL has to roll over its debenture worth Bt3.6bn in January 2021. We expect its financing cost will increase to 6.5% from the current coupon rate of 5.25% as TRIS rating downgraded its credit rating to BB in April 2020. Note that PSL had cash on hand of Bt2.1bn and interest-bearing debt of Bt12.3bn as of 1H20.

Fig 19 Net D/E ratios



Source: Company data, KS Research

Fig 20 Net debt/EBITDA ratios



Source: Company data, KS Research



Valuation and recommendation

We initiate coverage of PSL with an Outperform rating. Our mid-2021 target price of Bt6.50 is based on an average fully-diluted 2021E and 2022E BVPS of Bt7 pegged to a PBV of 0.95x (-0.5SD its historical mean).

Fig 21 Mid-2021 target price based on PER multiple

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD
PBV multiple	0.5	0.7	0.8	0.9	1.1	1.2	1.4	1.5	1.7
Fair value (Bt/shr)	3.55	4.56	5.57	6.58	7.59	8.60	9.62	10.63	11.64

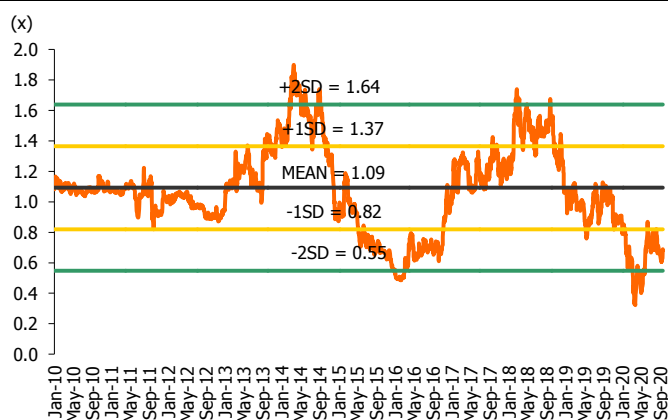
Source: KS Research

Fig 22 PSL's peers

Stock	Market Cap (USD mn)	Basic EPS growth (%)			Basic P/E (x)			P/BV (x)			Div. Yield (%)			ROE (%)		
		19	20E	21E	19	20E	21E	19	20E	21E	19	20E	21E	19	20E	21E
Precious Shipping PCL	254	n.m.	n.m.	n.m.	(35.1)	(6.6)	26.7	0.7	0.8	0.8	0.0	0.0	0.0	-1.9	-11.2	2.9
Global selected peers																
Atlas Corp *	2,192	28.4	-39.2	2.2	5.2	8.5	8.3	0.8	0.6	0.6	5.6	5.6	5.6	18.3	7.1	6.0
Capital Product Partners LP *	114	n.m.	n.m.	-4.1	(0.8)	4.7	4.8	0.3	0.3	0.3	20.1	12.7	6.4	-22.8	7.4	5.9
Danaos Corp *	149	n.m.	n.a.	n.a.	0.7	n.a.	n.a.	0.2	n.a.	n.a.	0.0	0.0	0.0	16.7	n.a.	n.a.
Diana Shipping Inc *	125	n.m.	n.m.	n.m.	(8.2)	(0.9)	5.3	0.3	0.3	0.3	0.0	0.0	0.0	-3.1	n.a.	5.0
Eagle Bulk Shipping Inc *	176	n.m.	n.m.	-68.6	(7.6)	11.1	35.2	0.3	0.1	0.1	0.0	0.0	0.0	-4.5	-1.9	-0.2
Genco Shipping & Trading Ltd *	276	n.m.	n.m.	n.m.	(4.9)	(2.0)	7.4	0.3	0.3	0.3	7.6	2.3	8.8	-5.5	n.a.	0.0
Kirby Corp *	2,167	81.7	n.m.	n.m.	15.2	(52.5)	14.5	0.6	0.7	0.6	0.0	n.a.	n.a.	4.3	3.5	n.a.
Navios Maritime Partners LP *	64	n.m.	n.m.	n.m.	(1.0)	(2.1)	1.8	0.1	0.1	0.1	21.1	7.8	3.5	-8.3	n.a.	0.1
Pacific Basin Shipping Ltd *	711	-66.5	n.m.	n.m.	26.7	(3.4)	13.5	0.5	0.6	0.6	2.0	2.3	3.2	2.0	-10.3	5.1
Safe Bulkers Inc *	105	-75.0	n.m.	n.m.	25.8	(4.5)	2.6	0.2	n.a.	n.a.	0.0	0.0	9.7	1.1	n.a.	n.a.
Scorpio Bulkers Inc *	155	n.m.	n.m.	n.m.	1.9	(0.6)	11.3	0.1	0.2	0.2	1.6	1.6	2.9	5.1	n.a.	0.6
SFL Corp Ltd *	914	18.6	n.m.	n.m.	9.1	(24.5)	10.9	0.8	0.9	0.9	18.5	13.5	13.2	7.8	8.5	8.6
Star Bulk Carriers Corp *	657	n.m.	n.m.	298.2	(40.2)	15.2	3.8	0.4	0.4	0.4	0.1	1.9	9.8	-1.1	3.7	7.3
Simple average		-2.6	-39.2	56.9	1.7	-4.3	10.0	0.4	0.4	0.4	5.9	4.0	5.3	0.8	2.6	3.8
SET selected peers																
Thoresen Thai Agencies PCL *	186	158.3	n.a.	n.a.	10.4	n.a.	n.a.	0.3	n.a.	n.a.	18.6	n.a.	n.a.	3.0	n.a.	n.a.

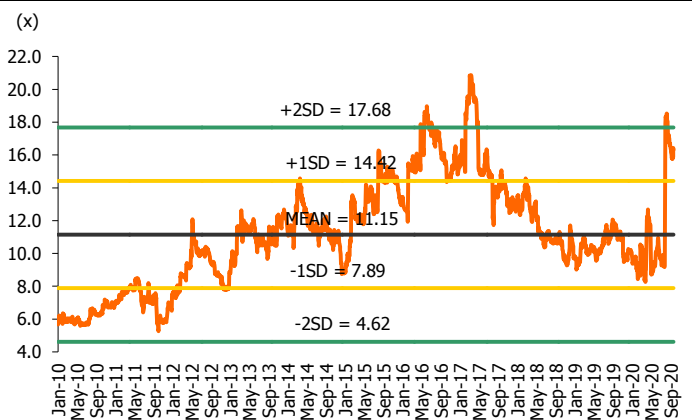
Source: Bloomberg, KS Research (as of September 11, 2020) / * = not under KS coverage

Fig 23 12M FWD PBV – PSL



Source: Bloomberg, KS Research

Fig 24 12M FWD EV-EBITDA – PSL



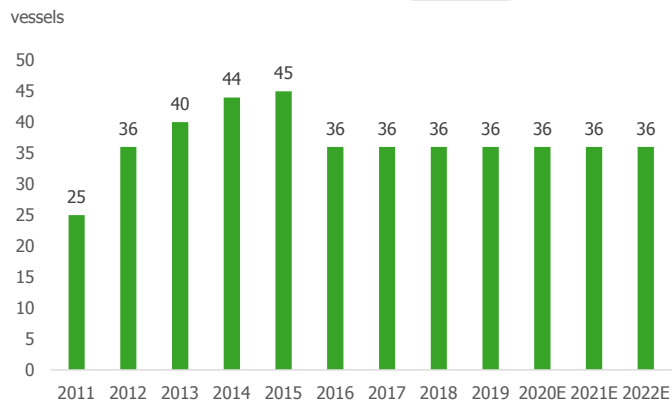
Source: Bloomberg, KS Research



Company profile

Precious Shipping (PSL) was established in 1989 and listed on the SET in 1993. PSL owns and operates 36 dry bulk ships with total 1.6mn DWT capacity or 44k DWT per ship. It has a diversified revenue base with equal contribution from five regions (USA, Europe, Africa, Middle East, and South East & Far East Asia), and carries several commodity products. Time charters account for 92% of total revenue, while voyage charters account for 8%.

Fig 25 PSL's fleet capacity



Source: Company data, KS Research

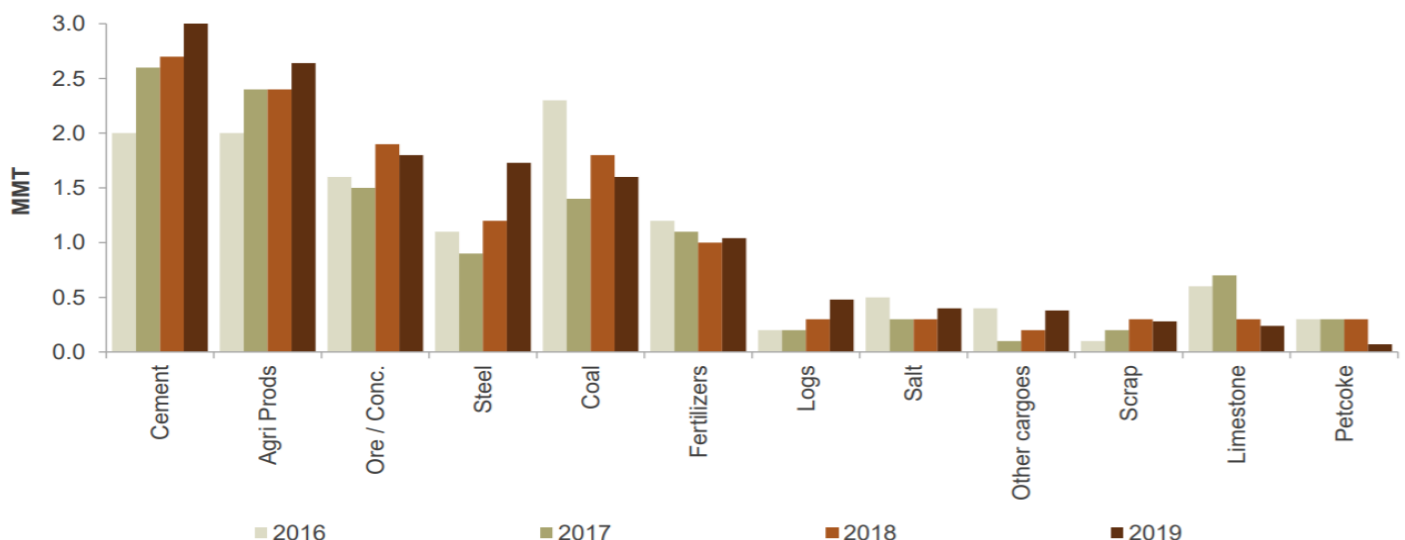
Fig 26 PSL's fleet

As of	31 st Dec 2016	31 st Dec 2017	31 st Dec 2018	31 st Dec 2019	30 th Jun 2020
Number of Vessels	36	36	36	36	36
Average Age (Simple Avg)	5.8 years	6.3 years	7.3 years	8.3 years	8.8 years
Insured Value (US\$ million)	695.10	673.00	700.30	650.00	650.00
Book Value (US\$ million)	715.55	717.19	689.37	664.89	648.41
Total DWT	1,541,244	1,585,805	1,585,805	1,585,805	1,585,805
Total LDT	343,372	350,989	350,989	350,989	350,989
Average DWT per Vessel	42,812	44,050	44,050	44,050	44,050

Source: Company data

As of December 31, 2019, PSL operated 36 dry bulk ships including 4 cement carriers, amounting to 1,585,805 DWT in aggregate. The fleet comprises 20 ships registered under the Thai flag and 16 ships registered under the Singapore flag. Eight ships are in the Ultramax sector, 9 in the Supramax sector and the balance 19 (including 4 cement carriers) in the Handy Size sector of the dry bulk market. PSL's bulk cargo in an aggregate amount of 12.3 MMT, 11.7 MMT, 12.7 MMT, and 13.72 MMT was carried on PSL ships in 2016-2019, respectively. Note that the 60% of the company's vessel trading area was in the Atlantic region and 40% in the Pacific region in 2019.

Fig 27 PSL's cargo exposure: 2016 – FY 2019



Source: Company data


Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E	Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	4,933	4,152	3,927	4,503	4,676	Net profit	456	-228	-1,226	301	460
Cost of sales and services	-3,256	-3,173	-3,224	-3,128	-3,203	Depreciation & amortization	1,242	1,228	1,106	1,045	987
Gross Profit	1,677	979	703	1,376	1,473	Change in working capital	-97	-12	-5	-48	-12
SG&A	-453	-546	-436	-494	-507	Others	656	903	2,060	-10	-10
Other income	41	31	31	0	0	CF from operation activities	2,256	1,890	1,935	1,288	1,425
EBIT	1,284	478	-579	882	966	Capital expenditure	-176	1,077	0	0	0
EBITDA	2,507	1,692	1,404	1,926	1,953	Investment in subs and affiliates	2	7	-2	-2	-2
Interest expense	-826	-703	-647	-581	-506	Others	-99	-1,511	0	0	0
Equity earnings	24	20	5	0	0	CF from investing activities	-272	-427	-2	-2	-2
EBT	458	-226	-1,226	301	460	Cash dividend	0	0	0	0	0
Income tax	-2	-3	0	0	0	Net proceeds from debt	-1,252	-1,876	-2,112	-1,260	-1,200
NPAT	456	-228	-1,226	301	460	Capital raising	0	-0	0	0	0
Minority Interest	-0	-0	0	0	0	Others	-732	-133	0	0	0
Core Profit	458	-223	-351	301	460	CF from financing activities	-1,984	-2,009	-2,112	-1,260	-1,200
Extraordinary items	4	0	-878	0	0	Net change in cash	0	-546	-179	26	223
FX gain (loss)	-5	-6	3	0	0	Key Statistics & Ratios					
Reported net profit	456	-228	-1,226	301	460	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.29	-0.15	-0.79	0.19	0.30
Cash & equivalents	1,843	1,181	1,003	1,029	1,252	Core EPS	0.29	-0.14	-0.23	0.19	0.30
ST investments	0	0	0	0	0	DPS	0.00	0.00	0.00	0.00	0.00
Accounts receivable	254	183	183	214	215	BV	8.14	7.41	6.63	6.82	7.12
Inventories	96	176	109	127	138	EV	16.79	12.51	11.27	10.45	9.54
Other current assets	124	140	143	146	149	Free Cash Flow	1.33	1.90	1.24	0.83	0.91
Total current assets	2,317	1,681	1,439	1,516	1,754	Valuation analysis					
Investment in subs & others	92	85	87	89	90	Reported P/E (x)	29.57	-35.15	-6.55	26.68	17.45
Fixed assets-net	22,409	20,104	18,999	17,954	16,966	Core P/E (x)	29.45	-36.09	-22.87	26.68	17.45
Other assets	3,019	3,191	1,144	1,166	1,190	P/BV (x)	1.06	0.69	0.78	0.76	0.72
Total assets	27,837	25,061	21,668	20,724	20,000	EV/EBITDA (x)	10.45	11.53	12.52	8.46	7.61
Short-term debt	1,877	4,085	3,590	0	0	Price/Cash flow (x)	5.98	4.25	4.15	6.23	5.63
Accounts payable	74	71	0	0	0	Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Other current liabilities	357	557	568	579	591	Profitability ratios					
Total current liabilities	2,308	4,712	4,158	579	591	Gross margin (%)	34.00	23.58	17.90	30.54	31.49
Long-term debt	12,661	8,577	6,960	9,290	8,090	EBITDA margin (%)	50.81	40.76	35.74	42.78	41.78
Other liabilities	172	212	216	221	225	EBIT margin (%)	26.03	11.50	-14.74	19.58	20.66
Total liabilities	15,141	13,502	11,334	10,090	8,906	Net profit margin (%)	9.25	-5.50	-31.21	6.68	9.84
Paid-up capital	1,559	1,559	1,559	1,559	1,559	ROA (%)	1.61	-0.86	-5.25	1.42	2.26
Share premium	1,968	1,968	1,968	1,968	1,968	ROE (%)	3.65	-1.88	-11.20	2.87	4.24
Reserves & others, net	33	-860	-1,349	-1,349	-1,349	Liquidity ratios					
Retained earnings	9,136	8,892	8,155	8,456	8,916	Current ratio (x)	1.00	0.36	0.35	2.62	2.97
Minority interests	0	0	0	0	0	Quick ratio (x)	0.91	0.29	0.29	2.15	2.48
Total shareholders' equity	12,695	11,559	10,333	10,634	11,095	Leverage Ratios					
Total equity & liabilities	27,837	25,061	21,668	20,724	20,000	Liabilities/Equity ratio (x)	1.19	1.17	1.10	0.95	0.80
Key Assumptions						Net debt/EBITDA (x)	5.06	6.78	6.80	4.29	3.50
Number of vessels	36	36	36	36	36	Net debt/equity (x)	1.00	0.99	0.92	0.78	0.62
Operating days	13,140	13,140	13,122	13,140	13,140	Int. coverage ratio (x)	1.56	0.68	-0.90	1.52	1.91
TC rates (US\$/day)	11,063	9,622	9,611	10,738	11,167	Growth					
USDTHB	32.4	29.8	31.0	30.5	30.5	Revenue (%)	13.85	-15.83	-5.41	14.67	3.82
OPEX (US\$/day)	4,621	4,778	4,637	4,730	4,825	EBITDA (%)	19.38	-32.48	-17.05	37.24	1.39
SG&A (US\$/day)	1,064	1,394	1,162	1,233	1,264	Reported net profit (%)	452.35	-150.09	-436.42	124.55	52.93
Financial cost (US\$/day)	1,940	1,796	1,556	1,449	1,262	Reported EPS (%)	452.34	-150.09	-436.42	124.55	52.93
Depreciation (US\$/day)	2,783	3,022	3,052	3,083	3,114	Core profit (%)	379.97	-148.59	-57.81	185.71	52.93
Total cost (US\$/day)	10,408	10,990	10,407	10,494	10,465	Core EPS (%)	379.97	-148.59	-57.81	185.71	52.93

Source: Company, KS estimates



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