

Precious Shipping

Bloomberg: PSL TB | Reuters: PSL.BK

Refer to important disclosures at the end of this report

BUY Bt26.25 SET : 1,389.16

Price Target : 12-Month Bt 30.30

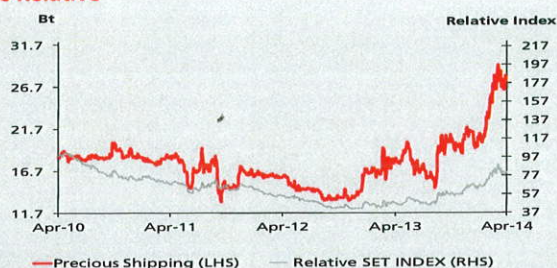
Potential Catalyst: Fleet expansion and renewal, uptrend in dry bulk cycle

DBSV vs Consensus: Above consensus

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Bt m)	2013A	2014F	2015F	2016F
Turnover	3,869	5,688	6,375	7,553
EBITDA	1,196	2,291	3,418	4,425
Pre-tax Profit	545	587	1,367	1,676
Net Profit	528	557	1,283	1,607
Net Pft (Pre Ex.)	(408)	483	872	1,607
EPS (Bt)	0.5	0.5	1.2	1.5
EPS Pre Ex. (Bt)	(0.4)	0.5	0.8	1.5
EPS Gth (%)	274	6	130	25
EPS Gth Pre Ex (%)	(148)	N/A	80	84
Diluted EPS (Bt)	0.5	0.5	1.2	1.5
Net DPS (Bt)	0.4	0.4	0.5	0.6
BV Per Share (Bt)	15.0	15.2	15.9	16.9
PE (X)	51.7	49.0	21.3	17.0
PE Pre Ex. (X)	nm	56.5	31.3	17.0
P/Cash Flow (X)	26.9	14.4	11.5	5.7
EV/EBITDA (X)	28.1	15.7	12.3	9.4
Net Div Yield (%)	1.5	1.4	1.9	2.4
P/Book Value (X)	1.7	1.7	1.6	1.6
Net Debt/Equity (X)	0.4	0.5	0.9	0.8
ROAE (%)	3.5	3.5	7.9	9.4

Earnings Rev (%)

Consensus EPS (Bt):			0.56	1.21
Other Broker Recs:	B: 5	S: 3	H: 4	

ICB Industry : Industrials

ICB Sector: Marine

Principal Business: A Thailand-based dry bulk shipping company; operates mainly in the Handysize market

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

In full swing

- **New dry bulk cycle likely to see multi-year uptrend**
- **Timely fleet expansion allows PSL to capture revenue growth in the upcycle**
- **Renewing fleet by adding new ships and disposing older vessels helps to reduce operating costs**
- **BUY, Bt30.3 TP is pegged to 1.9x FY15F BV**

Strong profit growth driven by new upcycle. The dry bulk cycle, as measured by the Baltic Dry Index (BDI), appears to be at the start of a new three-year cycle. We expect the BDI to trend up over the longer-term, despite recent volatility. This should support PSL's earnings over the next few years. We expect vessel operating income to grow by 47% in 2014 and 12% in 2015, premised on long-term charter contracts averaging US\$13,713/day/vessel, which PSL managed to fix for 2014-16.

Renewing fleet to reduce opex. PSL will take delivery of six newbuilds in 2014, 18 in 2015, and six in 2016. It also plans to dispose 18-20 older vessels in 2H15 (we assumed 18 vessels). This strategy will expand its revenue base as well as reduce vessel operating costs. We assumed operating cost would reach 49%/39% of time charter (TC) rates in 2014/15, which would lift gross margins to 26% in 2014 and 36% in 2015. We also expect the disposal of 18 vessels to generate Bt411m extra gains based on our conservative assumption of 10% gain over book value.

Maintain BUY, TP at Bt30.3. Our TP is pegged to 1.9x FY15F BV. We expect the cycle to peak in 2015, when PSL's EPS growth (pre-ex) is forecast to reach 80%.

At A Glance

Issued Capital (m shrs)	1,040
Mkt. Cap (Btm/US\$m)	27,287 / 845
Major Shareholders	
Globex Corporation (%)	25.7
Moinuddin Hashim's Family (%)	17.4
Miss Nishita Shah (%)	9.5
Free Float (%)	39.2
Avg. Daily Vol. ('000)	2,363

Income Statement (Bt m)

FY Dec	2013A	2014F	2015F	2016F
Turnover	3,869	5,688	6,375	7,553
Cost of Goods Sold	(3,528)	(4,194)	(4,110)	(4,410)
Gross Profit	341	1,494	2,265	3,144
Other Opng (Exp)/Inc	(314)	(445)	(499)	(591)
Operating Profit	28	1,050	1,766	2,553
Other Non Opq (Exp)/Inc	0	0	0	0
Associates & JV Inc	32	12	14	19
Net Interest (Exp)/Inc	(450)	(548)	(824)	(896)
Exceptional Gain/(Loss)	935	74	411	0
Pre-tax Profit	545	587	1,367	1,676
Tax	(8)	(47)	(68)	(84)
Minority Interest	(9)	17	(16)	14
Preference Dividend	0	0	0	0
Net Profit	528	557	1,283	1,607
Net Profit before Except.	(408)	483	872	1,607
EBITDA	1,196	2,291	3,418	4,425
Sales Gth (%)	10.6	47.0	12.1	18.5
EBITDA Gth (%)	2.6	91.6	49.2	29.5
Opg Profit Gth (%)	(89.3)	3,700.1	68.3	44.6
Net Profit Gth (%)	274.2	5.6	130.2	25.2
Effective Tax Rate (%)	1.5	8.0	5.0	5.0

Cash Flow Statement (Bt m)

FY Dec	2013A	2014F	2015F	2016F
Pre-Tax Profit	545	587	1,367	1,676
Dep. & Amort.	1,137	1,230	1,640	1,856
Tax Paid	(4)	(47)	(68)	(84)
Assoc. & JV Inc/(loss)	(32)	(12)	(14)	(19)
Chg in Wkg. Cap.	(63)	138	(134)	1,335
Other Operating CF	(569)	0	(411)	0
Net Operating CF	1,013	1,896	2,380	4,764
Capital Exp. (net)	(3,125)	(4,741)	(10,255)	(5,778)
Other Invts. (net)	0	0	0	0
Invts in Assoc. & JV	0	(4)	2	0
Div from Assoc & JV	3	3	3	3
Other Investing CF	4,322	1,008	2,070	2,318
Net Investing CF	1,200	(3,734)	(8,179)	(3,457)
Div Paid	(468)	(390)	(513)	(643)
Chg in Gross Debt	2,285	2,392	5,096	1,475
Capital Issues	0	0	0	0
Other Financing CF	(3,106)	0	0	0
Net Financing CF	(1,289)	2,002	4,582	832
Currency Adjustments	117	(71)	(91)	(82)
Chg in Cash	1,041	93	(1,307)	2,058

Quarterly / Interim Income Statement (Bt m)

FY Dec	1Q2013	2Q2013	3Q2013	4Q2013
Turnover	884	884	936	1,165
Cost of Goods Sold	(833)	(806)	(908)	(981)
Gross Profit	51	78	28	184
Other Oper. (Exp)/Inc	(69)	(88)	(85)	(72)
Operating Profit	(18)	(10)	(57)	112
Other Non Opq (Exp)/Inc	0	0	0	0
Associates & JV Inc	5	12	8	6
Net Interest (Exp)/Inc	(123)	(101)	(123)	(104)
Exceptional Gain/(Loss)	413	260	194	69
Pre-tax Profit	277	162	22	84
Tax	0	(1)	(1)	(5)
Minority Interest	0	0	0	(9)
Net Profit	277	161	20	70
Net profit bef Except.	(136)	(99)	(173)	1
EBITDA	240	281	254	422
Sales Gth (%)	(1.6)	0.0	5.9	24.5
EBITDA Gth (%)	(14.7)	17.0	(9.6)	66.1
Opg Profit Gth (%)	N/A	46.1	(492.6)	N/A
Net Profit Gth (%)	N/A	(41.7)	(87.3)	241.0
Gross Margins (%)	5.8	8.8	3.0	15.8
Opg Profit Margins (%)	(2.0)	(1.1)	(6.1)	9.6
Net Profit Margins (%)	31.3	18.2	2.2	6.0

Balance Sheet (Bt m)

FY Dec	2013A	2014F	2015F	2016F
Net Fixed Assets	18,670	22,175	30,805	34,729
Invts in Associates & JVs	102	106	104	104
Other LT Assets	1,802	1,673	1,774	382
Cash & ST Invts	2,942	3,105	1,887	4,024
Inventory	102	156	130	135
Debtors	1,074	57	127	151
Other Current Assets	818	1,453	1,532	170
Total Assets	25,510	28,726	36,359	39,696
ST Debt	654	817	1,173	1,276
Creditor	22	59	49	51
Other Current Liab	302	923	2,663	3,497
LT Debt	8,619	10,848	15,587	16,959
Other LT Liabilities	283	271	310	375
Shareholder's Equity	15,621	15,788	16,558	17,522
Minority Interests	10	20	19	17
Total Cap. & Liab.	25,510	28,726	36,359	39,696
Non-Cash Wkg. Capital	1,671	683	(923)	(3,092)
Net Cash/(Debt)	(6,331)	(8,559)	(14,873)	(14,211)

Rates & Ratio

FY Dec	2013A	2014F	2015F	2016F
Gross Margins (%)	8.8	26.3	35.5	41.6
Opg Profit Margin (%)	0.7	18.5	27.7	33.8
Net Profit Margin (%)	13.6	9.8	20.1	21.3
ROAE (%)	3.5	3.5	7.9	9.4
ROA (%)	2.1	2.1	3.9	4.2
ROCE (%)	0.1	3.6	5.5	7.0
Div Payout Ratio (%)	78.8	70.0	40.0	40.0
Net Interest Cover (x)	0.1	1.9	2.1	2.8
Asset Turnover (x)	0.2	0.2	0.2	0.2
Debtors Turn (avg days)	60.9	36.3	5.3	6.7
Creditors Turn (avg days)	1.8	5.0	8.0	7.2
Inventory Turn (avg days)	19.0	15.9	21.1	18.9
Current Ratio (x)	5.1	2.7	0.9	0.9
Quick Ratio (x)	4.1	1.8	0.5	0.9
Net Debt/Equity (X)	0.4	0.5	0.9	0.8
Net Debt/Equity ex MI (X)	0.4	0.5	0.9	0.8
Capex to Debt (%)	33.7	40.6	61.2	31.7
Z-Score (X)	0.0	0.0	0.0	0.0
N. Cash/(Debt)PS (Bt)	(6.1)	(8.2)	(14.3)	(13.7)
Opg CFPS (Bt)	1.0	1.7	2.4	3.3
Free CFPS (Bt)	(2.0)	(2.7)	(7.6)	(1.0)

Segmental Breakdown / Key Assumptions

FY Dec	2013A	2014F	2015F	2016F
Revenues (Bt m)				
Timecharter	2,181	3,690	4,137	4,904
Voyage charter	1,307	1,987	2,228	2,640
Service income	11	11	10	10
Total	3,869	5,688	6,375	7,553
Gross Profit (Bt m)				
Timecharter	(35)	1,488	2,259	3,138
Service income	6	7	6	6
Total	(29)	1,494	2,265	3,144
Gross Margin (%)				
Timecharter	(1.6)	40.3	54.6	64.0
Service income	56.8	60.0	60.0	60.0
Total	(0.7)	26.3	35.5	41.6
Key Assumptions				
Avg earnings	7,508.0	11,793.2	12,341.7	13,713.0
Avg Opex (US\$/day/vessel)	4,535.0	5,739.3	4,786.1	4,586.5
Avg size (dwt)	32,114.0	33,496.3	55,369.3	46,468.8
Avg number of ships	39.0	42.0	45.0	48.0

Source: Company, DBS Vickers