

J.P. Morgan Asia Pacific Access Transport & Logistics Ecosystem 1x1 Forum

May 19-20, 2014 (MONDAY-TUESDAY)

Tower Club, 9 Raffles Place, Republic Plaza Tower, Singapore

May 21-22, 2014 (WEDNESDAY-THURSDAY)

J.P. Morgan, Chater House, 8 Connaught Road Central, Hong Kong



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J.P. Morgan Securities Singapore Private Limited

See page 38 for analyst certification and important disclosures, including non-US analyst disclosures.

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Overweight

PSL.BK,PSL TB

Price: Bt25.00

Price Target: Bt29.00

Thailand

Shipping

Corrine Png ^{AC}

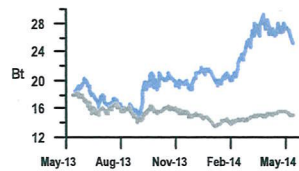
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Price Performance



	YTD	1m	3m	12m
Abs	23.2%	-5.7%	12.1%	40.4%
Rel	11.5%	-3.8%	7.5%	55.4%

Company Data	
Shares O/S (mn)	1,040
Market Cap (Bt mn)	25,988
Market Cap (\$ mn)	797
Price (Bt)	25.00
Date Of Price	12 May 14
Free Float(%)	29.5%
3M - Avg daily vol (mn)	2.47
3M - Avg daily val (Bt mn)	65.02
3M - Avg daily val (\$ mn)	2.0
SET	1375.14
Exchange Rate	32.62
Price Target End Date	30-Jun-15

Precious Shipping

www.preciousshipping.com

Company description

Precious Shipping is a ship-owner providing dry bulk shipping services, mainly in the Handysize vessel segment with c.1.0% global Handysize market share in capacity terms. PSL has secured 34%/16%/13%/13% fixed time charter days in 2014/2015/2016/2017 and its current and forward 2014-2017 rolling book is c.19% with a visible revenue stream of US\$166MM as at 31 March 2014. Bulk shipping fleet size: 31 Handysize vessels, 9 Supramax vessels. This represents a total capacity of 1,351,583 dwt with an average fleet age of 10.4 years as at Mar 2014.

Investment thesis

We maintain our positive view on the sector and continue to favour the small bulkcarrier segment. We expect average freight rates in 2014 to surpass 2013 levels as sector demand-supply growth returns to balance with potential supply shortage in 2015, driving earnings recovery. PSL, in our view, provides a low-risk play on the sector recovery, given its cost-efficient fleet and strong balance sheet. PSL's counter-cyclical strategy to acquire cheap vessels should provide a significant cost advantage over peers and substantial profit upside from future disposals.

Key issues and discussion points

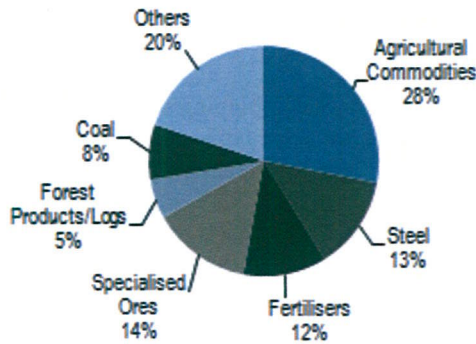
1) What are your expectations of the industry shipping demand and freight rate trends in 2014 and 2015? 2) Do you plan to increase your long-term bulk shipping contracts to capture the higher freight rates going forward? 3) Please elaborate on Precious Shipping's fleet expansion plans. Do you prefer to acquire secondhand vessels or order new ships from shipyards? 4) What are your views on eco-ships? 5) Do you expect to pare down your dividend payout ratio compared to historical levels as you invest in more vessels? 6) Please elaborate on the CEO succession plans. 7) Do you plan to invest in larger bulkcarrier vessels (eg: Capesizes) or other ship types (eg: Containerships)?

Precious Shipping (Reuters: PSL.BK, Bloomberg: PSL TB)

Bt in mn, year-end Dec	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (Bt mn)	3,828	4,829	5,187	7,489	11,607
Net Profit (Bt mn)	141	528	602	1,666	3,407
EPS (Bt)	0.14	0.51	0.58	1.60	3.28
DPS (Bt)	0.40	0.40	0.40	0.40	0.40
Revenue growth (%)	11.5%	26.1%	7.4%	44.4%	55.0%
EPS growth (%)	(80.4%)	274.2%	14.0%	176.9%	104.5%
ROCE	1.2%	0.2%	4.1%	7.8%	12.4%
ROE	0.9%	3.5%	3.8%	10.1%	18.4%
P/E (x)	184.3	49.2	43.2	15.6	7.6
P/BV (x)	1.8	1.7	1.6	1.5	1.3
EV/EBITDA (x)	29.4	29.1	15.0	9.6	6.2
Dividend Yield	1.6%	1.6%	1.6%	1.6%	1.6%

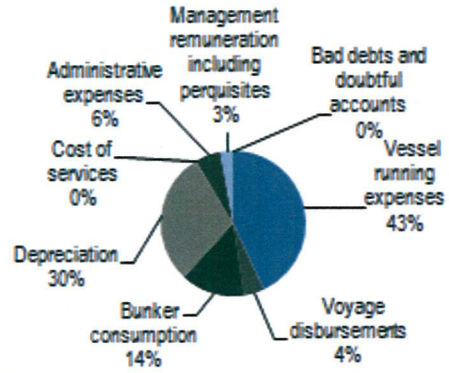
Source: Company data, Bloomberg, J.P. Morgan estimates.

2013 Commodities Carried Breakdown (Based on number of voyages)



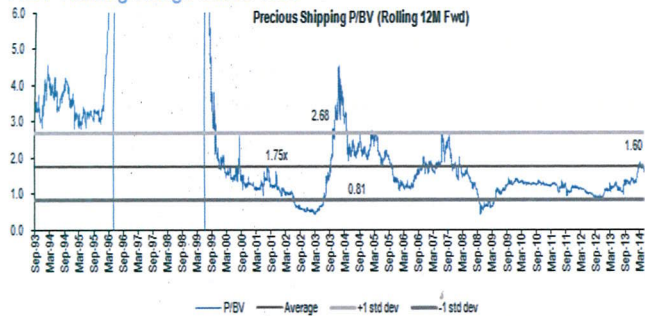
Source: Company reports.

2013 Cost Breakdown



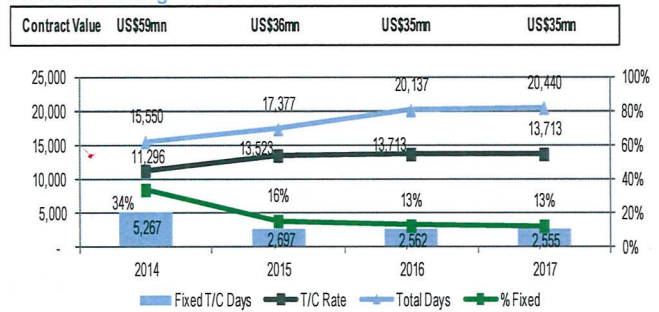
Source: Company reports.

P/BV Trading Range Since 1990



Source: Company reports, Bloomberg, J.P. Morgan.

Current & Rolling 4 Year Forward Book



Source: Company reports.

Precious Shipping: Summary of Financials

Income Statement						Cash flow statement					
Bt in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	Bt in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Revenues	3,828	4,829	5,187	7,489	11,607	EBIT	584	972	1,129	2,352	4,249
% change Y/Y	11.5%	26.1%	7.4%	44.4%	55.0%	Depr. & amortization	920	1,146	1,357	1,588	1,800
EBITDA	1,494	2,108	2,487	3,940	6,048	Change in working capital	(320)	(63)	(81)	(519)	(929)
% change Y/Y	(19.9%)	(1.3%)	109.7%	60.2%	53.5%	Taxes	-	-	-	-	-
EBIT	584	972	1,129	2,352	4,249	Cash flow from operations	751	1,013	2,387	3,384	5,050
% change Y/Y	(49.6%)	66.4%	16.2%	108.3%	80.6%	Capex	(6,285)	(3,125)	(4,251)	(3,251)	(3,251)
EBIT Margin	7.3%	0.7%	21.3%	31.4%	36.6%	Disposal/(purchase)	1,729	4,709	0	0	0
Net Interest	(434)	(459)	(539)	(664)	(764)	Net Interest	(434)	(459)	(539)	(664)	(764)
Earnings before tax	148	545	621	1,719	3,515	Other	19	31	(529)	(652)	(745)
% change Y/Y	(79.6%)	268.4%	14.0%	176.9%	104.5%	Free cash flow	(3,786)	2,213	(2,393)	(519)	1,054
Tax	(4)	(8)	(9)	(25)	(51)	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	2.8%	1.5%	1.5%	1.5%	1.5%	Debt raised/(repaid)	2,285	(558)	3,000	2,000	2,000
Net income (reported)	141	528	602	1,666	3,407	Other	(387)	(316)	0	0	0
% change Y/Y	(80.4%)	274.2%	14.0%	176.9%	104.5%	Dividends paid	(468)	(415)	(416)	(416)	(416)
Shares outstanding	1,040	1,040	1,040	1,040	1,040	Beginning cash	4,375	1,901	2,942	3,133	4,198
EPS (reported)	0.14	0.51	0.58	1.60	3.28	Ending cash	1,901	2,942	3,133	4,198	6,836
% change Y/Y	(80.4%)	274.2%	14.0%	176.9%	104.5%	DPS	0.40	0.40	0.40	0.40	0.40
Balance sheet						Ratio Analysis					
Bt in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	Bt in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Cash and cash equivalents	1,901	2,942	3,133	4,198	6,836	EBITDA margin	31.1%	24.3%	47.4%	52.6%	52.1%
Accounts receivable	217	1,074	1,154	1,666	2,582	Operating margin	7.3%	0.7%	21.3%	31.4%	36.6%
Inventories	147	102	110	159	246	Net margin	(4.3%)	(8.4%)	11.1%	22.2%	29.4%
Others	677	818	818	818	818	Sales per share growth	11.5%	26.1%	7.4%	44.4%	55.0%
Current assets	2,941	4,936	5,214	6,840	10,481	Sales growth	11.5%	26.1%	7.4%	44.4%	55.0%
LT investments	8	9	9	9	9	Net profit growth	(80.4%)	274.2%	14.0%	176.9%	104.5%
Net fixed assets	16,213	18,670	21,569	23,232	24,684	EPS growth	(80.4%)	274.2%	14.0%	176.9%	104.5%
Total Assets	24,030	25,510	28,717	32,036	37,159	Interest coverage (x)	2.7	2.6	4.6	5.9	7.9
Liabilities						Net debt to equity	49.5%	40.5%	57.8%	59.1%	47.1%
Short-term loans	802	654	654	654	654	Sales/assets	0.2	0.2	0.2	0.2	0.3
Payables	2	22	23	33	52	Assets/equity	157.4%	164.6%	172.5%	184.8%	186.4%
Others	316	302	306	338	394	ROE	0.9%	3.5%	3.8%	10.1%	18.4%
Total current liabilities	1,119	977	983	1,025	1,099	ROCE	1.2%	0.2%	4.1%	7.8%	12.4%
Long-term debt	8,265	8,619	11,619	13,619	15,619						
Other liabilities	-	-	-	-	-						
Total Liabilities	9,545	9,879	12,885	14,927	17,001						
Shareholder's equity	14,484	15,631	15,832	17,110	20,158						
BVPS (Bt)	13.93	15.03	15.21	16.41	19.29						

Source: Company reports and J.P. Morgan estimates.