



THAILAND

PSL TB Neutral

Price (at 10:30, 14 Jan 2015 GMT) Bt15.20

<b>Valuation</b>	<b>Bt</b>	<b>15.60</b>
- Price to Book		
<b>12-month target</b>	<b>Bt</b>	<b>15.60</b>
<b>Upside/Downside</b>	<b>%</b>	<b>+2.6</b>
<b>12-month TSR</b>	<b>%</b>	<b>+2.6</b>
<b>Volatility Index</b>		<b>High</b>
<b>GICS sector</b>	<b>Transportation</b>	
<b>Market cap</b>	<b>Btm</b>	<b>15,801</b>
<b>Market cap</b>	<b>US\$m</b>	<b>481</b>
<b>Free float</b>	<b>%</b>	<b>12</b>
<b>30-day avg turnover</b>	<b>US\$m</b>	<b>1.3</b>
<b>Number shares on issue</b>	<b>m</b>	<b>1,040</b>
<b>CG Scoring (2014)</b>		<b>Excellent</b>

**Investment fundamentals**

Year end 31 Dec	2013A	2014E	2015E	2016E
Revenue	m 3,868.9	4,443.6	5,438.9	7,190.9
EBIT	m 13.8	238.0	396.1	710.2
EBIT growth	% -97.6	1,619.2	66.4	79.3
Reported profit	m 527.8	-161.7	-97.6	76.4
Adjusted profit	m -419.0	-227.7	-97.6	76.4
EPS rep	Bt 0.51	-0.16	-0.09	0.07
EPS rep growth	% 274.2	nmf	39.6	nmf
EPS adj	Bt -0.40	-0.22	-0.09	0.07
EPS adj growth	% nmf	45.6	57.1	nmf
PER rep	x 29.9	nmf	nmf	206.7
PER adj	x nmf	nmf	nmf	206.7
Total DPS	Bt 0.40	0.20	0.00	0.00
Total div yield	% 2.6	1.3	0.0	0.0
ROA	% 0.1	0.9	1.2	1.9
ROE	% -2.8	-1.5	-0.7	0.5
EV/EBITDA	x 24.2	18.9	15.2	11.8
Net debt/equity	% 40.5	86.6	128.5	146.4
P/BV	x 1.0	1.1	1.1	1.1

**PSL TB rel SET performance, & rec history**



Note: Recommendation timeline - if not a continuous line, then there was no KS coverage at the time or there was an embargo period.

Source: FactSet, KS Research, January 2015

(all figures in THB unless noted)

**Published by Fundamental team**

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19 January 2015

Kasikorn Securities Public Company Limited

# Precious Shipping PCL

## Downtrend in drybulk rates mean headwinds

### Event

► We downgrade Precious Shipping to Neutral from Outperform and lower our price target from Bt32.50 to Bt15.60. Our downward revision is mainly due to a 4Q14 rally in drybulk freight rates failing to materialise, which has adverse implications for Precious Shipping, a pure drybulk shipping operator. We forecast 2015 will be another year of net losses and no dividends.

### Impact

- **Still a play on the spot market:** With only 14% and 10% of 2015 and 2016 capacity on fixed contracts, as well as four-year forward coverage ratio at only 16% of capacity, we view Precious Shipping as a play on spot rates for the smaller Handies drybulk market. We estimate Handymax and Handysize spot rates of US\$10,300/day and US\$8,300/day, but this is below their covered rate of US\$13,465/day and US\$13,713/day for 2015 and 2016.
- **Handysize – more attractive but rates still below historical levels:** We lower BDI assumptions to 1,000 this year and 1,100 for 2016, previously 1,700 and 1,600 to reflect the revised industry assumptions. Within the sub-segments, we are more optimistic on Handysize as we estimate spot rates will increase 8% this year, but this is still below pre-2011 averages. We are more positive on Handysize due to smallest capacity growth, older fleet that could lead to higher scrapping, and ability to transport a variety of different commodities due to vessel design.

### Earnings and target price revision

► Factoring in our lower drybulk freight rate assumptions, we lower our earnings forecasts for Precious Shipping. We forecast a net loss of Bt98m in 2015 before returning to profit of Bt76m in 2016. This compares to our previous net profit forecasts of Bt761m and Bt758m for 2015 and 2016, respectively.

### Price catalyst

- 12-month price target: Bt15.60 based on a Price to Book methodology.
- Catalyst: Quarterly loss for 4Q14 results, no quarterly dividend, rebound in freight rates

### Action and recommendation

- We now estimate Precious Shipping's reporting net losses in 2014 and 2015, previously net profits, to reflect cautious drybulk shipping outlook. Based on this, we lower our price target P/B metric to mid-cycle less 0.5 standard deviation (from mid-cycle plus one standard deviation).
- This leads us to lower the price target from to Bt15.60. As the current share price is close to our assessment of fair value, we downgrade the stock from Outperform to Neutral. Further, we do not expect Precious to pay dividend in 2015.



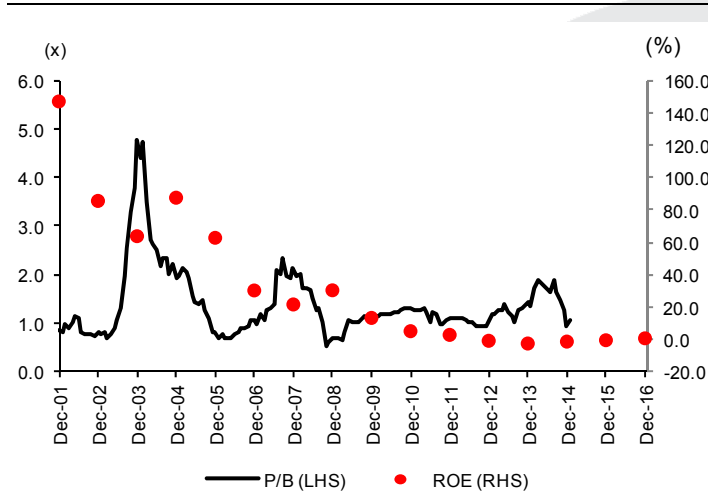
**Precious Shipping earnings and company charts**

**Fig 1 Earnings revision**

Yr-end 31 Dec RMB mn	2014E			2015E			2016E		
	new	old	% chg	new	old	% chg	new	old	% chg
Revenue	4,444	5,421	-18.0	5,439	6,879	-20.9	7,191	8,635	-16.7
Operating expenses	4,206	4,361	-3.6	5,043	5,401	-6.6	6,481	7,046	-8.0
Operating profit	238	1,060	-77.6	396	1,478	-73.2	710	1,589	-55.3
Pre-exceptional profit	-228	568	n.m.	-98	761	n.m.	76	758	-89.9
Net profit	-162	568	n.m.	-98	761	n.m.	76	758	-89.9

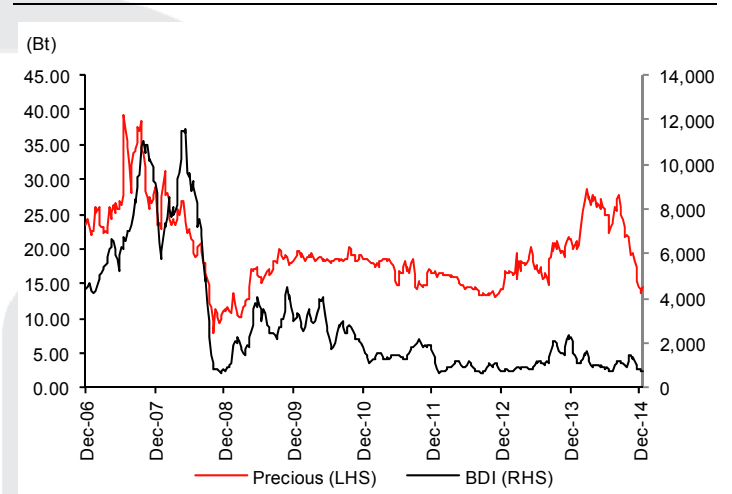
Source: KS Research, January 2015

**Fig 2 Precious Shipping P/BV and ROE**



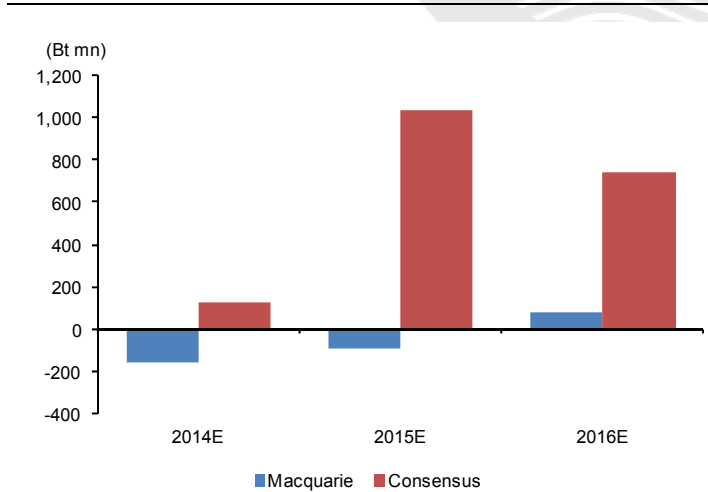
Source: Company data, KS Research, January 2015

**Fig 3 Precious Shipping share price and BDI**



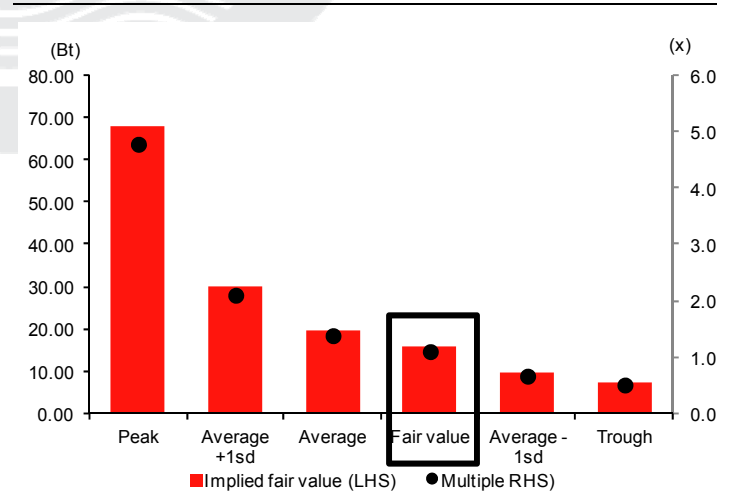
Source: Bloomberg, KS Research, January 2015

**Fig 4 Earnings comparison – KS vs consensus**



Source: Bloomberg, KS Research, January 2015

**Fig 5 Precious Shipping fair value scenario**



Source: Bloomberg, KS Research, January 2015



**Precious Shipping (PSL TB, Neutral, Target Price: Bt15.60)**

Quarterly Results					Profit & Loss						
	3Q/14A	4Q/14E	1Q/15E	2Q/15E		2013A	2014E	2015E	2016E		
Revenue	m	1,333	878	1,088	1,360	Revenue	m	3,869	4,444	5,439	7,191
Gross Profit	m	559	260	462	577	Gross Profit	m	1,483	1,862	2,308	2,997
Cost of Goods Sold	m	775	617	626	783	Cost of Goods Sold	m	2,386	2,582	3,131	4,194
EBITDA	m	451	167	374	468	EBITDA	m	1,151	1,502	1,871	2,413
Depreciation	m	379	272	295	369	Depreciation	m	1,137	1,264	1,475	1,702
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	71	-105	79	99	EBIT	m	14	238	396	710
Net Interest Income	m	-147	-118	-103	-129	Net Interest Income	m	-419	-490	-514	-648
Associates	m	5	7	3	4	Associates	m	34	17	17	17
Exceptionals	m	20	5	0	0	Exceptionals	m	947	66	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	0	-0	0	0	Other Pre-Tax Income	m	-31	-0	0	0
Pre-Tax Profit	m	-51	-211	-20	-25	Pre-Tax Profit	m	545	-169	-101	79
Tax Expense	m	1	-2	0	0	Tax Expense	m	-8	2	1	-1
Net Profit	m	-50	-213	-20	-25	Net Profit	m	537	-167	-100	78
Minority Interests	m	2	0	0	1	Minority Interests	m	-9	5	2	-2
Reported Earnings	m	-49	-212	-20	-24	Reported Earnings	m	528	-162	-98	76
Adjusted Earnings	m	-68	-217	-20	-24	Adjusted Earnings	m	-419	-228	-98	76
EPS (rep)		-0.05	-0.20	-0.02	-0.02	EPS (rep)		0.51	-0.16	-0.09	0.07
EPS (adj)		-0.07	-0.21	-0.02	-0.02	EPS (adj)		-0.40	-0.22	-0.09	0.07
EPS Growth yoy (adj)	%	58.3	-4,057.5	nmf	57.1	EPS Growth (adj)	%	nmf	45.6	57.1	nmf
						PE (rep)	x	42.0	nmf	nmf	206.7
						PE (adj)	x	nmf	nmf	nmf	206.7
EBITDA Margin	%	33.8	19.0	34.4	34.4	Total DPS		0.40	0.20	0.00	0.00
EBIT Margin	%	5.4	-12.0	7.3	7.3	Total Div Yield	%	1.9	1.5	0.0	0.0
Earnings Split	%	30.0	95.3	20.0	25.0	Basic Shares Outstanding	m	1,040	1,040	1,040	1,040
Revenue Growth	%	42.4	-24.7	-3.0	22.4	Diluted Shares Outstanding	m	1,040	1,040	1,040	1,040
EBIT Growth	%	nmf	nmf	-62.7	66.4						
Profit and Loss Ratios					Cashflow Analysis						
	2013A	2014E	2015E	2016E		2013A	2014E	2015E	2016E		
Revenue Growth	%	10.6	14.9	22.4	32.2	EBITDA	m	1,151	1,502	1,871	2,413
EBITDA Growth	%	-22.7	30.6	24.6	28.9	Tax Paid	m	-8	2	1	-1
EBIT Growth	%	-97.6	1,619.2	66.4	79.3	Chgs in Working Cap	m	-63	342	-112	-197
Gross Profit Margin	%	38.3	41.9	42.4	41.7	Net Interest Paid	m	-419	-490	-514	-648
EBITDA Margin	%	29.7	33.8	34.4	33.6	Other	m	1,711	22	19	15
EBIT Margin	%	0.4	5.4	7.3	9.9	Operating Cashflow	m	2,371	1,378	1,266	1,582
Net Profit Margin	%	-10.8	-5.1	-1.8	1.1	Acquisitions	m	215	0	0	0
Payout Ratio	%	nmf	nmf	nmf	0.0	Capex	m	-4,958	-7,384	-7,384	-4,339
EV/EBITDA	x	29.6	17.8	15.2	11.8	Asset Sales	m	0	0	0	0
EV/EBIT	x	731.8	105.9	69.4	39.4	Other	m	2,875	-0	0	0
Balance Sheet Ratios					Investing Cashflow	m	-1,867	-7,384	-7,384	-4,339	
ROE	%	-2.8	-1.5	-0.7	0.5	Dividend (Ordinary)	m	-467	0	0	0
ROA	%	0.1	0.9	1.2	1.9	Equity Raised	m	0	0	0	0
ROIC	%	0.1	1.1	1.4	2.1	Debt Movements	m	932	5,346	5,799	3,098
Net Debt/Equity	%	40.5	86.6	128.5	146.4	Other	m	-2,551	-416	0	0
Interest Cover	x	0.0	0.5	0.8	1.1	Financing Cashflow	m	-2,087	4,930	5,799	3,098
Price/Book	x	1.4	1.0	1.1	1.1	Net Chg in Cash/Debt	m	-1,583	-1,075	-319	342
Book Value per Share		15.0	14.3	14.2	14.3	Free Cashflow	m	-2,587	-6,006	-6,118	-2,757
						Balance Sheet		2013A	2014E	2015E	2016E
						Cash	m	2,942	1,749	1,430	1,772
						Receivables	m	1,074	741	907	1,200
						Inventories	m	0	0	0	0
						Investments	m	0	0	0	0
						Fixed Assets	m	18,670	24,789	30,698	33,334
						Intangibles	m	0	0	0	0
						Other Assets	m	2,824	2,824	2,824	2,824
						Total Assets	m	25,510	30,104	35,859	39,130
						Payables	m	22	13	15	20
						Short Term Debt	m	654	2,201	902	902
						Long Term Debt	m	8,619	12,418	19,517	22,615
						Provisions	m	200	229	281	371
						Other Liabilities	m	385	373	373	373
						Total Liabilities	m	9,879	15,234	21,087	24,281
						Shareholders' Funds	m	15,621	14,860	14,762	14,838
						Minority Interests	m	10	10	10	10
						Other	m	-0	0	0	0
						Total S/H Equity	m	15,631	14,870	14,772	14,849
						Total Liab & S/H Funds	m	25,510	30,104	35,859	39,130

All figures in THB unless noted.

Source: Company data, KS Research, January 2015



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