

NOVEMBER 10, 2020

In line

Hold

Catalyst: Neutral

2021E TP: Bt5.10

Close Bt5.15

Earnings contained no surprises

PSL reported a small core loss in 3Q20, in line with our expectation. Its earnings in 4Q20E and 1Q21E are likely to remain in the red thanks to the weakening of the BDI at current and the low season in 1Q21E. We thus maintain our Hold rating for PSL, with the P/BV-based 2021E TP of Bt5.10, pegged at P/BV of 0.7x, -1 S.D. below the historical standard.

Core loss in line

PSL delivered a net loss of Bt22mn in 3Q20, vs. the net loss of Bt29mn in 3Q19 and improving considerably from the net loss of Bt1.2bn in 2Q20, including small FX gain of Bt12mn. Stripping out FX gain, PSL reported a core loss of Bt35mn, in line with our expectation. The decline of the net loss on a quarter-to-quarter basis was ascribed to the increase in the TC rate as well as lower SG&A expenses and interest expenses.

Reported TC rate of USD8,786/day, -9% YoY and +44% QoQ

In 3Q20, PSL reported a TC rate (USD per day per vessel) of USD8,786, -9% YoY but +44% QoQ, slightly lower than our expectation of USD9,000 but in line with the improvement of the BDI on a quarter-to-quarter basis given strengthening demand in the bulk ship industry. Meanwhile, PSL's Opex per day in 3Q20 stood at USD4,617, +1% YoY and +2% QoQ.

Maintain earnings projections


For 9M20, PSL posted a core loss of Bt487mn, vs. our projected core loss of Bt672mn in 2020E. We decide to maintain our earnings forecast, as we expect the core loss to increase (QoQ) in 4Q20E given the weakening of the BDI at current. Meanwhile, we also maintain our net profit projection in 2021E, expecting demand growth to outpace the supply growth in the bulk ship industry thanks to the improvement of global trade and GDP.

Financial Valuations

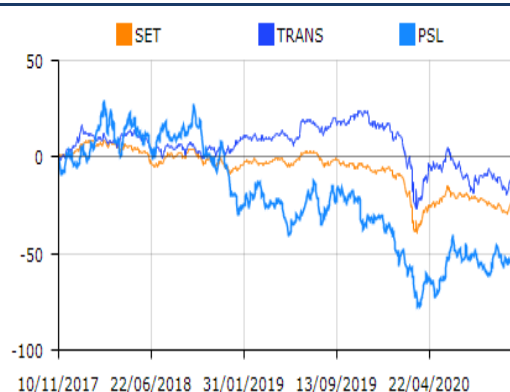
FY Ended 31 Dec	2018	2019	2020E	2021E	2022E
Sales (Btmn)	4,933	4,152	3,578	4,994	5,401
Core Profit (Btmn)	462	(228)	(672)	372	644
Net Profit (Btmn)	456	(223)	(1,523)	372	644
Core EPS(Bt)	0.30	(0.14)	(0.43)	0.24	0.41
Core EPS growth (%)	NM	NM	NM	NM	73.1
EPS (Bt)	0.29	(0.15)	(0.98)	0.24	0.41
EPS growth (%)	NM	NM	NM	NM	73.1
Dividend (Bt)	0.00	0.00	0.00	0.00	0.29
BV(Bt)	8.14	7.41	6.98	7.22	7.35
PER(x)	17.40	NM	NM	21.59	12.47
EV/EBITDA(x)	8.59	12.07	17.38	8.27	6.51
PBV(x)	0.63	0.69	0.74	0.71	0.70
Dividend yield (%)	0.00	0.00	0.00	0.00	5.61
ROE (%)	3.69	(1.84)	(5.98)	3.30	5.67
Net gearing (%)	100.00	99.33	107.87	90.11	73.79

	FY20	FY21
Consensus EPS (Bt)	-0.313	0.166
KTZ vs. consensus	37.4%	44.6%

Share data

Reuters / Bloomberg	PSL.BK/PSL TB
Paid-up Shares (m)	1,559.29
Par (Bt)	1.00
Market cap (Btbn/USDm)	8.00/263.00
Foreign limit/actual (%)	49.00/28.83
52-week High/Low (Bt)	7.90/2.38
Avg. daily T/O(shares 000)	14,723.00
NVDR (%)	4.62
Estimated free float (%)	46.81
Beta	1.27
URL	www.preciousshipping.com
CGR	
Anti-corruption	Level 4 (Certified)

Price Performance



Source: SET Smart

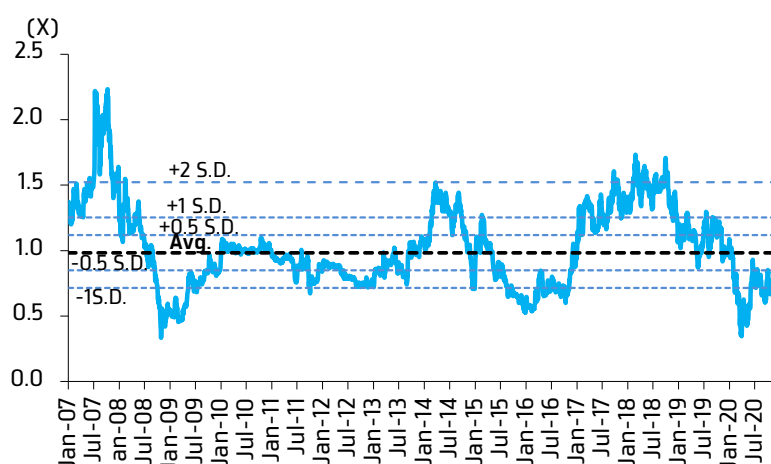
Note: An executive of Krungthai Zmico Securities is also a member of PSL's board.

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Figure 1: PSL's P/BV band and sensitivity of market prices based on P/BV at different standard deviations



	2021E	P/BV (x)	Implied market price (Bt)	Upside/Downside vs. current market price (%)
Average		0.98	7.11	45.1
-0.5 S.D.		0.85	6.14	25.2
-1.0 S.D.		0.71	5.16	5.3
-1.5 S.D.		0.58	4.19	-14.6
-2.0 S.D.		0.44	3.21	-34.5
-2.5 S.D.		0.31	2.24	-54.4
-3.0 S.D.		0.04	0.29	-94.2

Sources: Bloomberg, KTZ Research

Figure 2: PSL's 3Q20 earnings review

Profit and Loss (Btmn)												YTD
Year-end 31 Dec	3Q19	2Q20	3Q20	% YoY	% QoQ	9M20	% YoY	2019	2020E	% YoY	(% of 20E)	
Revenue	1,045	680	944	(9.6)	38.8	2,680	(10.7)	4,152	3,578	(13.8)	74.9	
Gross profit	267	(77)	182	(31.8)	NM	252	(60.9)	979	393	(59.8)	63.9	
SG&A	(129)	(82)	(75)	(41.5)	(7.9)	(278)	(26.8)	(547)	(458)	(16.1)	60.6	
EBITDA	433	145	413	(4.6)	184.3	889	(22.8)	1,616	1,138	(29.6)	78.1	
Interest expenses	(183)	(158)	(145)	(20.9)	(8.6)	(475)	(14.2)	(703)	(628)	(10.8)	75.6	
Other income	6	3	1	(89.2)	(74.2)	7	(71.3)	31	9	(70.9)	83.0	
Forex gain (loss)	1	(22)	12	NM	NM	16	NM	(6)	-	(100.0)	NM	
Other extraordinary items	-	(851)	-	NM	NM	(851)	NM	0	(851)	NM	100.0	
Gn (Ls) from affiliates	8	4	3	(69.4)	(29.6)	7	(47.0)	20	12	(39.0)	58.8	
Net profit (loss)	(29)	(1,183)	(22)	NM	NM	(1,322)	NM	(228)	(1,523)	566.5	86.8	
Core profit (loss)	(30)	(310)	(35)	NM	NM	(487)	NM	(223)	(672)	201.5	72.4	
Reported EPS (Bt)	(0.02)	(0.76)	(0.01)	NM	NM	(0.85)	NM	(0.15)	(0.98)	566.5	86.8	
Gross margin (%)	25.6	(11.3)	19.3			9.4		23.6	11.0			
EBITDA margin (%)	41.4	21.3	43.7			33.2		38.9	31.8			
Net margin (%)	(2.9)	(45.6)	(3.7)			(18.2)		(5.4)	(18.8)			
Current ratio (x)	0.4	0.5	0.8			0.8		0.4	0.9			
Interest coverage (x)	0.8	(1.0)	0.7			(0.1)		0.6	(0.1)			
Debt / equity (x)	1.1	1.2	1.1			1.1		1.1	1.1			
BVPS (Bt)	7.5	6.7	6.8			6.8		7.4	7.0			
ROE (%)	(1.0)	(11.0)	(1.3)			(5.8)		(1.8)	(6.0)			

Source: KTZ Research






Note:

Krungthai Zmico has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of Krungthai Zmico is also a board member of BCP, KBS, MAJOR, MK, PSL, SVH, VNG, ZMICO, PACE and JKN.

A management member of Krungthai Zmico is also a board member of NFC.

Krungthai Zmico is a financial advisor for ZMICO, TSE, ASAP, SIRI, SUPER and ALL.

Corporate Governance Report (CGR)		Source: Sec, Thai Institute of Directors Association (IOD)	
	Excellent (scores: 90-100)		Satisfactory (scores: 60 – 69)
	Very Good (scores: 80 – 89)		Pass (scores: 50 – 59)
	Good (scores: 70 – 79)	No Logo	N/A (scores: below 50)

Anti-corruption Progress Indicator

Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed):** Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared):** Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established):** Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified):** Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended):** Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

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KTZ Research – Recommendation Definitions**Stock Recommendations**

BUY: Expecting positive total returns of 15% or more over the next 12 months

HOLD: Expecting total returns between < 15% to -10% over the next 12 months

SELL: Expecting negative total returns more than -10% over the next 12 months

Total return is defined as the summation of percentage difference between the year-end target price and the current price and the expected annualized dividend yield of the stock

KTZ's catalyst rating indicates our view regarding specific events or news that are capable to lead share price movement upwards or downwards in a short time period (not over six months), sometime significantly, over the short term (3-6 months). **Catalysts fall into three categories: Positive, Negative and Neutral.**

Positive means that there will be favorable event to push share price up

Negative means that there will be unfavorable event to push share price down and

Neutral means there will be no near term catalyst

Catalysts may include company earnings releases, analyst revisions, significant corporate actions, management transition, product launches, lawsuits and investigations, merger and acquisitions, etc

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.