



# Precious Shipping PCL

PSL TB		Neutral
Target Price	Bt	19.10
Price (05/05/2021)	Bt	19.80
Downside	%	3.54
Valuation		PBV
Sector	Transportation & Logistics	
Market Cap	Btm	30,874
30-day avg turnover	Btm	476.30
No. of shares on issue	m	1,559
CG Scoring		Excellent
Anti-Corruption Indicator		Certified

## Expect TC rate to normalize in 2H21

- The BSI TC rate hit a 10-year high on demand-supply imbalances, but we expect the rate to normalize in 2H21 as the situation improves.
- We raise our 2021/22 earnings estimates by 126%/84% after revising up PSL's TC rate by 32%/82% to USD17,092 and USD15,808/vessel/day.
- Maintain Neutral with higher TP of Bt19.10 (up from Bt11.20) pegged to a higher PBV of 1.9x (+3.0SD) and higher 2022E BVPS of Bt10.10.

## Investment Highlights

- The BSI TC rate hit a 10-year high on demand-supply imbalances, but we expect it to normalize later as the tight conditions ease. The BSI TC rate rose 55% QoQ to USD16,633/day in 1Q21 and is up 27% QTD to USD21,176/day in 2Q21 due to demand-supply imbalances caused by restocking demand, minimal fleet supply growth, port congestion at Brazil, the Suez Canal obstruction, and China's ban on Australian coal, which all supported ton-mile growth. We believe the demand-supply imbalances will continue in 2Q21 given strong Chinese demand for iron ore, stabilized coal demand, and robust grain trade, but expect the situation to normalize in 2H21. The port congestion at Brazil and the Suez Canal blockage have now been resolved. Restocking, which often occurs after an economic crisis, may slow down in 2H21 after producers have stored enough inventories to meet demand. Vaccine rollouts will lead to border re-openings in 2H21 and induce people to spend more on services and less on goods. Global economic growth may peak in 1H21 and should wane in 2H21 due to less stimulus support as well. We therefore expect less restocking demand in 2H21 and expect the TC rate to come down from the current 10-year high level. Note that the current Baltic Dry Index of 3,007 is 123% higher than the 2019 average of 1,344 while 2021 seaborne trade volume is expected to surpass 2019's level by only 1.5% to 5,327m tons, or up 4% YoY.

- Raise 2021/22 earnings estimates by 126%/84% on higher TC rates. We raise our 2021/22 earnings estimates by 126%/84% after revising up PSL's TC rate by 32%/82% to USD17,092 and USD15,808/vessel/day led by a stronger-than-expected Supramax TC rate. Our assumptions for PSL's TC rates are lower than the current BSI TC rate of USD22,000-23,000/vessel/day as the company has fixed 14-17% of its total fleets at TC rates between USD13,500-14,550/vessel/day during 2021-24. Note that we assume an average Supramax TC rate of USD17,750 and USD16,500/vessel/day in 2021 and 2022, up from USD9,923/USD 8,180 in 2019-20 as demand growth of 4% p.a. in 2021-22E should outpace supply growth of 2% p.a. and this should support the TC rate to remain at a high level. Finally, we expect PSL to book a core profit of Bt550m in 1Q21, marking a significant turnaround from -Bt117m in 1Q20 and Bt27m in 4Q20 on the higher TC rate. The Supramax TC rate surged 55% QoQ and 154% YoY to USD16,633/vessel/day in 1Q21.

## Valuation and Recommendation

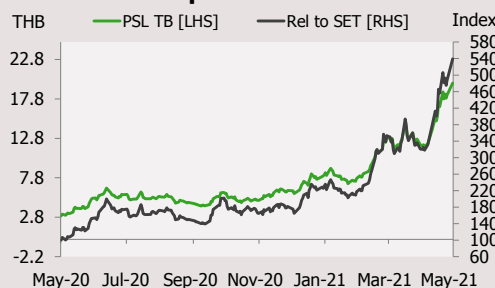
- Maintain Neutral rating as positive news is priced in; raise TP to Bt19.10 (from Bt11.20). We raise PSL's target price to Bt19.10/sh (from Bt11.20/sh) pegged to a PBV of 1.9x (+3.0SD of its historical mean) and higher 2022E BVPS of Bt10.10/sh. The high PBV of 1.9x is justified given PSL's ROE uptrend to 25.9%/17.6% in 2021-22. Note that PSL traded at 2.2-2.3x PBV during the BDI upcycle in 2006-07, resulting in a high ROE of 32-33%. We maintain our Neutral rating on PSL as the risk is not worth the reward given the current share price of Bt19.80/sh implies the stock is trading at 1.97x 2022 PBV, and the weaker TC rate outlook in 2H21.

- Key risks: Volatile freight rates and credit risk.

## Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
<b>Company Financials</b>				
Revenue (Btmn)	3,730	6,938	6,231	5,880
Core profit (Btmn)	-413	3,021	2,534	2,290
Net profit (Btmn)	-1,295	3,021	2,534	2,290
Net EPS (Bt)	-0.83	1.94	1.63	1.47
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	6.50	8.44	10.06	11.53
Net EPS growth (%)	-466.70	333.28	-16.11	-9.63
ROA (%)	-5.57	13.92	11.60	10.73
ROE (%)	-11.94	25.94	17.57	13.60
Net D/E (x)	0.88	0.41	0.11	-0.09
<b>Valuation</b>				
P/E (x)	-9.15	9.45	11.26	12.46
P/BV (x)	1.17	2.17	1.82	1.59
EV/EBITDA (x)	15.27	7.51	8.02	8.13
Dividend yield (%)	0.00	0.00	0.00	0.00

## PSL TB rel SET performance



Source: Bloomberg (all figures in THB unless noted)

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## Analyst

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6 May 2021

Kasikorn Securities Public Company Limited



Fig 1 Earnings revision

Unit: Btmn. Profit and loss statements	2021E			2022E			2023E		
	New	Previous	%Change	New	Previous	%Change	New	Previous	%Change
Total revenue	6,938	5,325	30.3	6,231	5,282	18.0	5,880	5,880	0.0
Cost of goods sold	3,135	3,077	1.9	3,085	3,046	1.3	3,140	3,140	0.0
Gross profit	3,802	2,248	69.1	3,147	2,237	40.7	2,740	2,740	0.0
SG&A	340	340	0.0	360	360	0.0	360	360	0.0
Operating profit	3,462	1,908	81.5	2,787	1,877	48.5	2,380	2,380	0.0
EBITDA	4,514	2,960	52.5	3,781	2,871	31.7	3,319	3,319	0.0
EBIT	3,472	1,918	81.0	2,797	1,887	48.2	2,390	2,390	0.0
Core profit	3,021	1,337	125.9	2,534	1,381	83.5	2,290	2,290	0.0
Net profit	3,021	1,337	125.9	2,534	1,381	83.5	2,290	2,290	0.0
<b>Key assumptions</b>									
Number of vessels	36	36	0.0	36	36.0	0.0	36	36	0.0
Operating days	13,140	13,140	0.0	13,140	13,140	0.0	13,140	13,140	0.0
TC rates (US\$/day)	17,092	13,000	31.5	15,828	13,338	18.7	14,905	14,905	0.0
USDTHB	30.00	30.00	0.0	29.00	29.00	0.0	29.00	29.00	0.0
OPEX (US\$/day)	4,879	4,730	3.2	4,928	4,825	2.1	4,977	4,977	0.0
SG&A (US\$/day)	863	863	0.0	945	945	0.0	945	945	0.0

Source: Company data, KS Research

Fig 2 1Q21 earnings preview

	1Q20	2Q20	3Q20	4Q20	1Q21E	%YoY	%QoQ	%YTD2021E	2021E
<b>Financials</b>									
Sales (Btmn)	1,055	680	944	1,050	1,521	44.1	44.8	21.9	6,938
EBITDA (Btmn)	379	-156	107	162	660	74.2	306.5	14.6	4,514
Operating profit (Btmn)	63	-156	107	162	660	949.6	306.5	19.1	3,462
Core profit (Btmn)	-133	-310	-35	64	550	514.0	761.8	18.2	3,021
Net profit (Btmn)	-117	-1,183	-22	27	550	569.6	1,905.0	18.2	3,021
Net EPS (Bt)	-0.08	-0.76	-0.01	0.02	0.35	569.6	1,905.0	18.2	1.94
<b>Performance Drivers</b>									
Number of vessels	36	36	36	36	36	0.0	0.0	100.0	36
Operating days	3,276	3,276	3,312	3,312	3,285	0.3	-0.8	25.0	13,140
TC rates (US\$/day)	8,398	9,002	8,786	10,022	14,924	77.7	48.9	87.3	17,092
USDTHB	31.4	31.5	31.5	30.5	30.0	-4.5	-1.6	100.0	30
OPEX (US\$/day)	4,602	4,531	4,617	5,067	4,800	4.3	-5.3	98.4	4,879
SG&A (US\$/day)	1,085	804	723	649	863	-20.5	32.8	100.0	863
<b>Ratios</b>									
						<b>Change</b>	<b>Avg YTD</b>	<b>2021E</b>	
Gross margin (%)	13.8	-11.1	19.3	23.9	49.0	35.2	25.1	49.0	54.8
EBITDA margin (%)	35.9	-22.9	11.4	15.5	43.4	7.5	28.0	43.4	65.1
Optg. margin (%)	6.0	-22.9	11.4	15.5	43.4	37.5	28.0	43.4	49.9
ROE (%)	-1.0	-10.5	-0.2	0.3	5.3	6.3	5.0	5.3	25.9

Source: Company data, KS Research

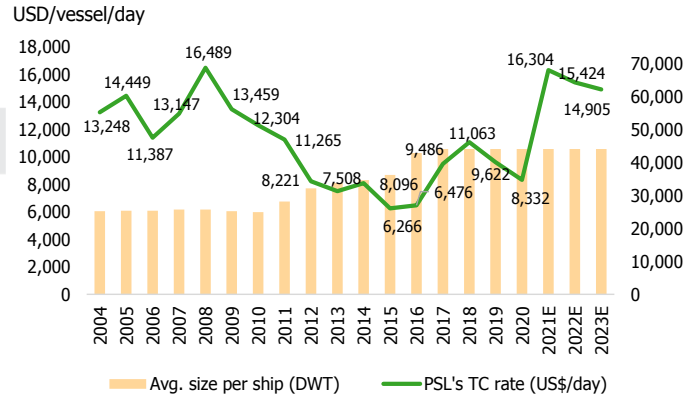


**Fig 3 Baltic Dry Index vs Baltic Supramax Index**



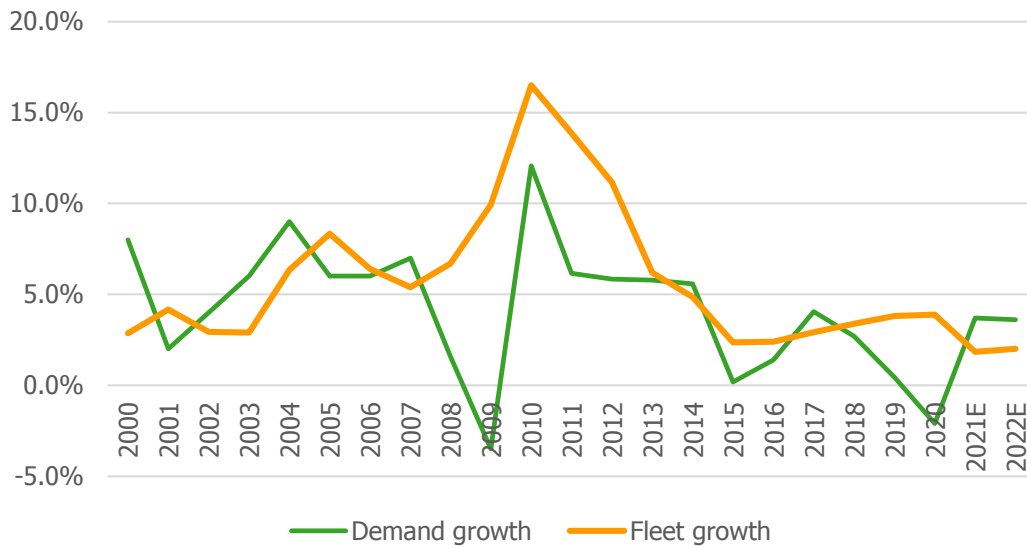
Source: Bloomberg and KS Research

**Fig 4 PSL' TC rates and average vessel size**



Source: Company data and KS Research

**Fig 5 Demand and fleet growth in the dry bulk industry**



Source: Clarkson and KS Research



## Valuation and recommendation

We raise PSL's target price to Bt19.10/sh (from Bt11.20/sh) pegged to PBV of 1.9x (+3.0SD of its historical mean) and higher than 2022E BVPS of Bt10.10/sh. The high PBV of 1.9x is justified given the uptrend in PSL's ROE of 25.9%/17.6% in 2021-22 from -12% in 2020. Note that PSL used to trade at 2.2-2.3x PBV during the BDI upcycle in 2006-2007 resulting in a high ROE of 32-33%. We maintain our **Neutral rating on PSL** due to the limited upsides at the current level and weaker TC rate outlook in 2H21.

**Fig 6 Mid-2021 target price based on PBV multiple**

Implied SD	-2.0SD	-1.5SD	-1.0SD	-0.5SD	Mean	+0.5SD	+1.0SD	+1.5SD	+2.0SD	+2.5SD	+3SD
<b>PBV multiple</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>
Fair value (Bt/shr)	5.53	6.89	8.25	9.61	10.97	12.33	13.68	15.04	16.40	17.76	19.12

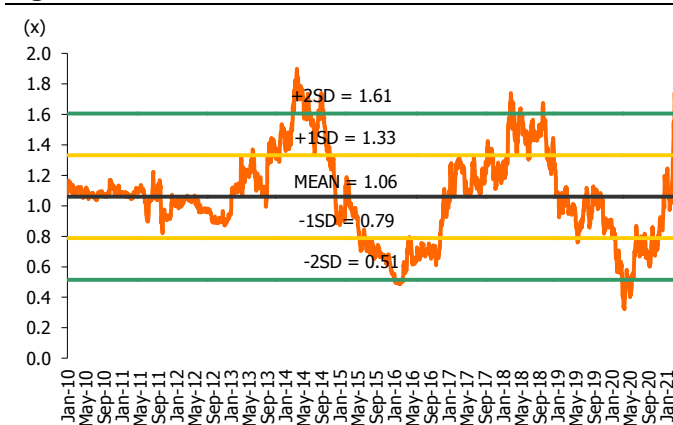
Source: KS Research

**Fig 7 PSL's peers**

Stock	Market Cap (USD mn)	Basic EPS growth (%)			Basic P/E (x)			P/BV (x)			Div. Yield (%)			ROE (%)		
		20	21E	22E	20	21E	22E	20	21E	22E	20	21E	22E	20	21E	22E
<b>Precious Shipping PCL</b>	<b>915</b>	<b>n.m.</b>	<b>n.m.</b>	<b>3.3</b>	<b>(22.2)</b>	<b>10.2</b>	<b>12.2</b>	<b>2.8</b>	<b>2.3</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.9</b>	<b>25.9</b>	<b>17.6</b>
<b>Global selected peers</b>																
Atlas Corp *	3,448	-69.8	153.5	-10.0	26.9	10.6	11.8	0.9	0.9	0.9	3.6	3.6	3.6	4.2	7.8	6.0
Capital Product Partners LP *	235	n.m.	n.a.	n.a.	7.6	n.a.	n.a.	0.5	0.5	n.a.	12.4	3.2	3.2	7.2	n.a.	n.a.
Danaos Corp *	1,126	-21.5	102.7	4.8	8.4	4.1	4.0	1.1	0.8	0.7	0.0	0.0	0.0	16.0	0.2	0.2
Diana Shipping Inc *	343	n.m.	n.m.	n.m.	(2.3)	(53.6)	5.7	0.9	0.7	0.6	0.0	0.0	4.3	-32.2	0.2	3.8
Eagle Bulk Shipping Inc *	558	n.m.	n.m.	-10.4	(13.2)	6.8	7.6	1.1	0.9	0.8	0.0	0.0	0.0	-7.4	11.3	11.0
Genco Shipping & Trading Ltd *	617	n.m.	n.m.	-8.9	(2.7)	11.7	12.9	0.8	0.8	1.3	0.5	3.1	10.6	-26.2	0.1	0.1
Kirby Corp *	3,896	n.m.	n.m.	76.2	(14.3)	45.9	26.0	1.3	1.3	1.2	0.0	n.a.	n.a.	-8.4	2.7	n.a.
Navios Maritime Partners LP *	650	n.m.	n.m.	2.3	(5.4)	2.4	2.3	0.6	0.6	0.5	1.4	0.6	0.6	-9.9	0.3	0.2
Pacific Basin Shipping Ltd *	1,631	n.m.	n.m.	1.5	(7.6)	8.1	8.0	1.5	1.3	1.2	0.0	6.8	6.9	-17.8	17.9	15.3
Safe Bulkers Inc *	327	n.m.	n.m.	-4.2	(12.8)	6.7	7.0	0.7	n.a.	n.a.	0.0	3.1	3.1	-5.7	n.a.	n.a.
Eneti Inc *	227	n.m.	n.m.	n.m.	(0.3)	(505.5)	(68.5)	0.8	0.3	0.3	1.0	1.0	1.0	-117.1	2.0	-5.0
SFL Corp Ltd *	997	n.m.	n.m.	7.6	(3.8)	12.3	11.4	1.3	1.1	1.0	12.8	7.7	8.3	-23.6	13.9	12.4
Star Bulk Carriers Corp *	1,823	n.m.	3,024.0	10.2	183.7	5.9	5.3	1.2	1.0	0.9	0.3	5.1	17.3	0.6	13.5	13.0
<b>Simple average</b>		<b>-45.6</b>	<b>1,093.4</b>	<b>6.9</b>	<b>12.6</b>	<b>-37.0</b>	<b>2.8</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>	<b>2.5</b>	<b>2.9</b>	<b>4.9</b>	<b>-16.9</b>	<b>6.4</b>	<b>5.7</b>
<b>SFT selected peers</b>																
Thoresen Thai Agencies PCL *	889	n.m.	n.m.	11.0	(14.3)	37.3	33.6	1.7	1.6	1.5	0.4	0.4	0.6	-11.3	4.3	4.8

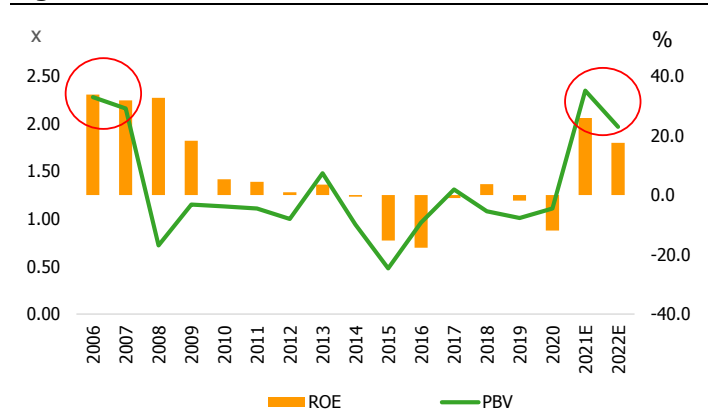
Source: Bloomberg, KS Research (as of February 17, 2021) / \* = not under KS coverage

**Fig 8 12M FWD PBV – PSL**



Source: Bloomberg, KS Research

**Fig 9 PSL's PBV vs. ROE**



Source: SetSMART and KS Research


**Year-end 31 Dec**

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	4,152	3,730	6,938	6,231	5,880
Cost of sales and services	-3,173	-3,226	-3,135	-3,085	-3,140
<b>Gross Profit</b>	979	504	3,802	3,147	2,740
SG&A	-546	-336	-340	-360	-360
Other income	31	9	0	0	0
<b>EBIT</b>	478	-693	3,472	2,797	2,390
<b>EBITDA</b>	1,692	1,360	4,514	3,781	3,319
Interest expense	-703	-597	-452	-263	-100
Equity earnings	20	11	10	10	10
<b>EBT</b>	-226	-1,290	3,021	2,534	2,290
Income tax	-3	-4	0	0	0
<b>NPAT</b>	-228	-1,295	3,021	2,534	2,290
Minority Interest	-0	0	0	0	0
<b>Core Profit</b>	-223	-413	3,021	2,534	2,290
Extraordinary items	0	-867	0	0	0
FX gain (loss)	-6	-15	0	0	0
<b>Reported net profit</b>	-228	-1,295	3,021	2,534	2,290

**Balance Sheet (Btmn)**

Cash & equivalents	1,181	1,100	2,497	3,209	3,555
ST investments	0	0	0	0	0
Accounts receivable	183	169	329	287	275
Inventories	176	35	102	104	0
Other current assets	140	634	647	659	673
<b>Total current assets</b>	1,681	1,938	3,575	4,260	4,502
Investment in subs & others	85	91	92	94	96
Fixed assets-net	20,104	19,125	18,073	17,079	16,139
Other assets	3,191	244	249	254	259
<b>Total assets</b>	25,061	21,397	21,989	21,687	20,996
Short-term debt	4,085	2,441	3,856	1,000	500
Accounts payable	71	277	0	0	0
Other current liabilities	557	621	634	646	659
<b>Total current liabilities</b>	4,712	3,339	4,490	1,646	1,159
Long-term debt	8,577	7,586	4,000	4,000	1,500
Other liabilities	212	337	344	351	358
<b>Total liabilities</b>	13,502	11,262	8,834	5,997	3,017
Paid-up capital	1,559	1,559	1,559	1,559	1,559
Share premium	1,968	1,968	1,968	1,968	1,968
Reserves & others, net	-860	-916	-916	-916	-916
Retained earnings	8,892	7,523	10,544	13,078	15,368
Minority interests	0	0	0	0	0
<b>Total shareholders' equity</b>	11,559	10,135	13,155	15,689	17,979
<b>Total equity &amp; liabilities</b>	25,061	21,397	21,989	21,687	20,996

**Key Assumptions**

Number of vessels	36	36	36	36	36
Operating days	13,140	13,176	13,140	13,140	13,140
TC rates (US\$/day)	9,622	8,332	17,092	15,828	14,905
USDTHB	29.8	30.9	30.0	29.0	29.0
OPEX (US\$/day)	4,778	4,705	4,879	4,928	4,977
SG&A (US\$/day)	1,394	825	863	945	945
Financial cost (US\$/day)	1,796	1,468	1,146	689	262
Depreciation (US\$/day)	3,022	3,052	3,083	3,114	3,145
Total cost (US\$/day)	10,990	10,050	9,971	9,676	9,330

Source: Company, KS estimates

Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Net profit	-228	-1,295	3,021	2,534	2,290
Depreciation & amortization	1,228	1,183	1,052	994	939
Change in working capital	-12	362	-505	40	117
Others	903	2,643	2	2	2
<b>CF from operation activities</b>	1,890	2,893	3,569	3,570	3,348
Capital expenditure	1,077	0	0	0	0
Investment in subs and affiliates	7	-5	-2	-2	-2
Others	-1,511	0	0	0	0
<b>CF from investing activities</b>	-427	-5	-2	-2	-2
Cash dividend	0	0	0	0	0
Net proceeds from debt	-1,876	-2,635	-2,171	-2,856	-3,000
Capital raising	-0	0	0	0	0
Others	-133	-56	0	0	0
<b>CF from financing activities</b>	-2,009	-2,691	-2,171	-2,856	-3,000
<b>Net change in cash</b>	-546	197	1,397	712	346

**Key Statistics & Ratios**
**Per share (Bt)**

Reported EPS	-0.15	-0.83	1.94	1.63	1.47
Core EPS	-0.14	-0.27	1.94	1.63	1.47
DPS	0.00	0.00	0.00	0.00	0.00
BV	7.41	6.50	8.44	10.06	11.53
EV	14.96	13.32	23.24	20.95	18.80
Free Cash Flow	1.90	1.86	2.29	2.29	2.15

**Valuation analysis**

Reported P/E (x)	-51.86	-9.15	10.22	12.18	13.48
Core P/E (x)	-53.26	-28.67	10.22	12.18	13.48
P/BV (x)	1.03	1.17	2.35	1.97	1.72
EV/EBITDA (x)	13.79	15.27	8.03	8.64	8.83
Price/Cash flow (x)	6.27	4.10	8.65	8.65	9.22
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
<b>Profitability ratios</b>					
Gross margin (%)	23.58	13.51	54.81	50.50	46.60
EBITDA margin (%)	40.76	36.47	65.07	60.67	56.45
EBIT margin (%)	11.50	-18.59	50.05	44.88	40.65
Net profit margin (%)	-5.50	-34.71	43.54	40.67	38.95
ROA (%)	-0.86	-5.57	13.92	11.60	10.73
ROE (%)	-1.88	-11.94	25.94	17.57	13.60

**Liquidity ratios**

Current ratio (x)	0.36	0.58	0.80	2.59	3.88
Quick ratio (x)	0.29	0.38	0.63	2.12	3.30

**Leverage Ratios**

Liabilities/Equity ratio (x)	1.17	1.11	0.67	0.38	0.17
Net debt/EBITDA (x)	6.78	6.56	1.19	0.47	-0.47
Net debt/equity (x)	0.99	0.88	0.41	0.11	-0.09
Int. coverage ratio (x)	0.68	-1.16	7.69	10.65	23.90

**Growth**

Revenue (%)	-15.83	-10.16	86.00	-10.19	-5.64
EBITDA (%)	-32.48	-19.62	231.84	-16.25	-12.20
Reported net profit (%)	-150.09	-466.70	333.28	-16.11	-9.63
Reported EPS (%)	-150.09	-466.70	333.28	-16.11	-9.63
Core profit (%)	-148.59	-85.78	830.76	-16.11	-9.63
Core EPS (%)	-148.59	-85.78	830.76	-16.11	-9.63





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