

PRECIOUS SHIPPING

THAILAND / TRANSPORT & LOGISTIC

PSL TB

BUY

FROM HOLD

กำไรลดลงใน 1Q23 แต่น่าจะฟื้นตัวได้

- กำไรปกติ 1Q23 ลดลงแรง 91% q-q และ 96% y-y หลังค่าระวางปรับสู่ระดับปกติ
- เราเชื่อว่าช่วงที่เลวร้ายที่สุดได้ผ่านไปแล้วและคาดว่าอุตสาหกรรมเรือเทกองจะฟื้นตัวเล็กน้อยในช่วง 2H23 จากเศรษฐกิจจีนที่ปรับตัวดีขึ้นและอุปทานเรือที่ดิ่งตัวมากยิ่งขึ้น
- ปรับเพิ่มคำแนะนำเป็นซื้อที่ราคาเป้าหมายใหม่ที่ 15 บาท

TARGET PRICE	THB15.00
CLOSE	THB12.00
UP/DOWNSIDE	+25.0%
PRIOR TP	THB17.00
CHANGE IN TP	-11.8%
TP vs CONSENSUS	-6.3%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	9,129	7,235	7,911	8,260
Net profit	4,851	2,203	2,695	2,915
EPS (THB)	3.11	1.41	1.73	1.87
vs Consensus (%)	-	(1.4)	3.5	(14.2)
EBITDA	6,553	3,991	4,513	4,705
Core net profit	4,850	2,203	2,695	2,915
Core EPS (THB)	3.11	1.41	1.73	1.87
Chg. In EPS est. (%)	-	(32.8)	(22.8)	(17.7)
EPS growth (%)	11.8	(54.6)	22.3	8.2
Core P/E (x)	3.9	8.5	6.9	6.4
Dividend yield (%)	14.6	5.9	7.2	7.8
EV/EBITDA (x)	3.7	5.8	5.2	4.9
Price/book (x)	1.1	1.1	1.1	1.1
Net debt/Equity (%)	34.4	26.2	26.3	26.8
ROE (%)	31.5	12.9	15.4	17.0

กำไร 1Q23 ลดลงแรงหลังค่าระวางปรับสู่ระดับปกติ

เมื่อหักกำไรจากอัตราแลกเปลี่ยน PSL รายงานกำไรปกติที่ 54 ลบ. ใน 1Q23 ลดลงแรง 91% q-q และ 96% y-y โดยได้รับผลกระทบจากปริมาณการจ้างและอัตราค่าระวางที่ลดลงตามอุตสาหกรรมเรือเทกอง โดยปกติปริมาณการจ้างจะลดลงตัวใน 1Q นอกจากนี้การปรับตัวเลขสินค้าคงคลังในหลายอุตสาหกรรมในปีนี้อย่างทำให้ความต้องการเรือดักดำ กุ้งของ PSL ต่อลำเรือต่อวันใน 1Q23 อยู่ที่ USD10,022 (-30% q-q, -54% y-y) ค่าใช้จ่ายในการเดินเรือ (OPEX) เพิ่มขึ้นเป็น USD5,231 (+9% q-q, +6.5% y-y) จากค่าใช้จ่ายในการจัดเก็บและอะไหล่ (Storage and Spare Expenses) ที่เพิ่มขึ้น อัตราค่าไชน์ตันลดลงเหลือ 22.8% ใน 1Q23 จาก 49.6% ในไตรมาสก่อนหน้าและ 66.4% ใน 1Q22

คาดการณ์อุตสาหกรรมเรือเทกองจะฟื้นตัวเล็กน้อยในช่วง 2H23

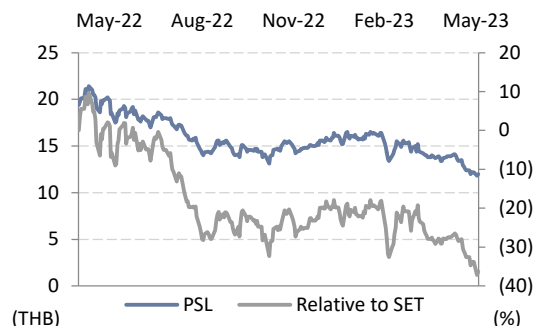
แม้ว่าการเติบโตจะชะลอตัวทั่วโลกและปัญหาความแออัดที่ทำให้เรือจะบรรเทาลง เราเชื่อว่าช่วงที่เลวร้ายที่สุดได้ผ่านไปแล้วและคาดว่าอุตสาหกรรมเรือเทกองจะฟื้นตัวเล็กน้อยในช่วง 2H23 จากข้อมูลของ Clarkson Research Service ณ. สิ้นเดือน มี.ค. 2023 อุปสงค์เมื่อวัดหน่วยเป็นตัน/ไมล์น่าจะเพิ่มจาก -1.7% ในปี 2022 และ 1.6% ที่คาดว่าจะเพิ่มขึ้นเป็น 1.9% ในปี 2023 และ 2.3% ในปี 2024 ในขณะที่การเติบโตสุทธิของอุปทานน่าจะมีส่วนลดต่อเนื่องจาก 2.9% ในปี 2022 เป็น 2.7% ในปี 2023 และ 0.6% ในปี 2024 มีการคาดการณ์ว่าอินเดียจะเป็นเหมือนจีนซึ่งจะช่วยกระตุ้นความต้องการการจ้างและสินค้าเทกอง การปรับเข้าสู่กฎเกณฑ์ใหม่ของ The Energy Efficiency Existing Ship Index (EEXI) และ The Carbon Intensity Indicator (CII) น่าทำให้อุปทานของเรือลดลง 2.0-2.5% ต่อปีในช่วงปี 2023-24 เนื่องจากเรือแล่นช้าลง

ปรับประมาณการกำไร

เราเชื่อว่ากำไรของ PSL ได้ผ่านจุดต่ำสุดไปแล้วใน 1Q23 และจะค่อย ๆ ฟื้นตัวในช่วง 2H23 อย่างไรก็ดีเราปรับลดประมาณการกำไรของเราลง 33%/23%/18% ในปี 2023-25 ตามลำดับเพื่อสะท้อนมุมมองที่ระมัดระวังมากยิ่งขึ้นของเราเกี่ยวกับต้นทุนในการดำเนินงาน คาดการณ์ใหม่ของเราแสดงให้เห็นว่ากำไรปกติน่าจะลดลง 55% มาอยู่ที่ 2.2 พัน ลบ. ในปี 2023 ซึ่งเป็นระดับที่สูงกว่าระดับก่อนโควิด

ปรับเพิ่มคำแนะนำเป็นซื้อที่ราคาเป้าหมายใหม่ที่ 15 บาท

เราปรับลดราคาเป้าหมายเป็น 15 จาก 17 บาทแต่ปรับค่า 2023E P/E ขึ้นเป็น 10.6x จาก 8.0x เนื่องจากเราเชื่อว่าช่วงที่เลวร้ายที่สุดของการขนส่งเรือเทกองได้ผ่านไปแล้ว ราคาเป้าหมายของเราคิดเป็น 1.3x ของค่า 2023E P/BV ต่ำกว่าค่าเฉลี่ยของปีที่มีกำไร 2 ปีในอดีตที่ 1.9x เราปรับเพิ่มคำแนะนำเป็นซื้อ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.4)	(26.8)	(38.5)
Relative to country (%)	(10.8)	(22.2)	(36.2)
Mkt cap (USD m)	556		
3m avg. daily turnover (USD m)	4.0		
Free float (%)	48		
Major shareholder	Globex Corporation Limited (28%)		
12m high/low (THB)	21.80/11.60		
Issued shares (m)	1,559.29		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 10 พฤษภาคม 2023

Investment thesis

The sharp contraction of freight rates and the normally low season in 1Q23 caused the PSL's weak core profit. We, however, believe the worst has passed and expect a modest recovery in the dry bulk industry in 2H23. The average market TCE rate for Supramax and Handysize ships recovered by around 20% from end-1Q23 to end-April 2023.

We cut our profit forecasts by 33%/23%/18% in 2023-25, respectively, reflecting our more conservative view on its operating costs. Our new projection sees its core profit plunging 55% to THB 2.2b in 2023, well exceeding its pre-Covid levels. We revise up our rating to BUY after PSL's share price fell 25% 2023 YTD, fully reflecting the headwinds.

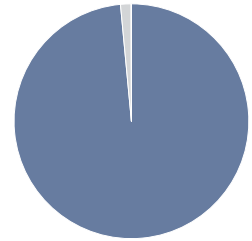
Company profile

Precious Shipping (PSL) is a pure dry cargo ship-owner operating in the Handysize, Supramax and Ultramax sectors of the tramp freight market. PSL was founded in 1989, commenced commercial operations in March 1991, and listed on the Stock Exchange of Thailand in September 1993. As of end-2022, PSL has 38 fleet vessels worth USD799m in book value, with an aggregate capacity of 1,657,579 DWT.

www.preciousshipping.com

Principal activities (revenue, 2022)

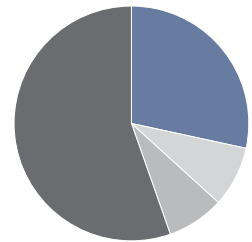
- Time charter - 98.5 %
- Voyage charter - 1.4 %
- Service revenue - 0.0 %



Source: Precious Shipping

Major shareholders

- Globex Corporation Limited - 28.4 %
- Graintrade Limited - 8.3 %
- Bank Julius Baer & Co. Ltd., Singapore - 7.9 %
- Others - 55.4 %



Source: Precious Shipping

Catalysts

Key potential catalysts include 1) fewer ships being built, which could reduce global fleet capacity; 2) China's stimulus package to boost the economy; and 3) higher CAPEX by the global energy sector which would create opportunities for PSL's offshore service segment.

Risks to our call

Downside risks to our P/E-based TP include 1) a fall in freight rates (time charter equivalent (TCE)); 2) exchange rate volatility; 3) China's slow economic growth; and 4) regulatory risks, including new EEXI and CII requirements, effective 1 Jan-23.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
TCE rate (USD/day)	13,864	15,634	16,581
TCE rate growth (%)	(30.4)	12.8	6.1
OPEX (USD/day)	5,500	5,555	5,444
Gross margin (%)	42.6	46.2	47.1
SG&A to sales (%)	5.1	4.9	4.9

Source: FSSIA estimates

Earnings sensitivity

- For every 1% change in its TCE rate, we project PSL's 2023 net profit to change by 1.4%, all else being equal.
- For every 1% change in gross margin, we project PSL's 2023 net profit to change by 2.5%, all else being equal.

Source: FSSIA estimates

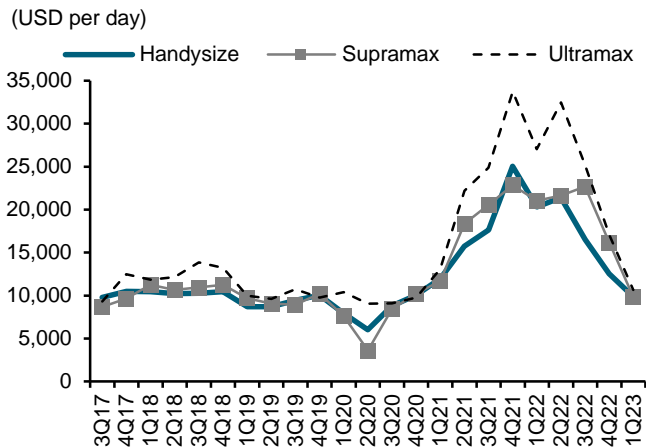
1Q23 profit sank as rates normalised

Excluding a forex gain, PSL registered a core profit of THB54m in 1Q23, diving 91% q-q and 96% y-y, hit by the decline in freight volumes and rates in line with the dry bulk industry. The BSI (Supramax) in 1Q23 averaged 925 points, a decrease of 30% q-q and 60% y-y. The average BHSI (Handysize) stood at 539 points, a drop of 34% q-q and 60% y-y. The global trade volume normally slows in 1Q and this year's inventory corrections in several industries also prompted a sluggish carrier demand. PSL's earnings per ship per day in 1Q23 came in at USD10,022 (-30% q-q, -54% y-y). Its total revenue in baht terms declined by 34% q-q and 50% y-y to THB1.1b, the lowest in nine quarters, and returned to its pre-pandemic levels. Its vessels running expense (OPEX) rose to USD5,231 (+9% q-q, +6.5% y-y) due to higher storage and spare expenses. PSL's gross margin slid to 22.8% in 1Q23 from 49.6% in the previous quarter and 66.4% in 1Q22. 1Q23 EBITDA was THB492m (-54% q-q, -71% y-y), and net profit including forex gains was THB79m (-87% q-q, -94% y-y).

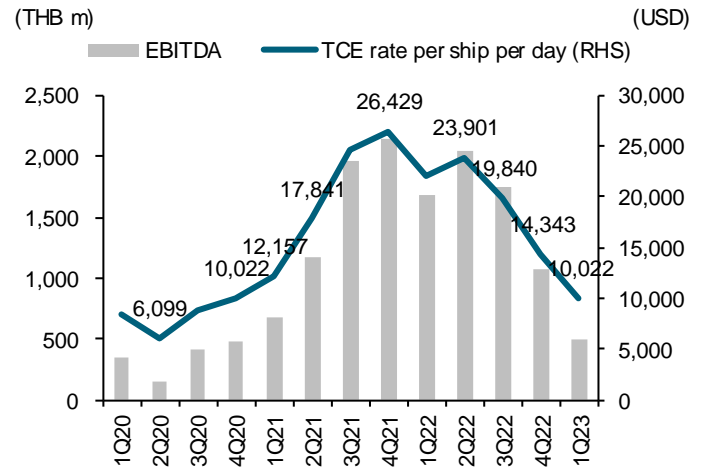
Exhibit 1: 1Q23 results summary

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23	-----Change-----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Sales	2,281	2,616	2,500	1,731	1,146	(33.8)	(49.8)
Cost of sales	767	775	986	873	885	1.4	15.4
Gross profit	1,514	1,842	1,513	859	261	(69.6)	(82.8)
Operating costs	131	116	118	151	112	(26.1)	(15.1)
Operating profit	1,383	1,725	1,395	708	149	(78.9)	(89.2)
Operating EBITDA	1,683	2,046	1,754	1,072	492	(54.1)	(70.7)
Other income	2	2	2	11	7	(36.9)	206.3
Interest expense	82	95	107	109	104	(5.1)	26.6
Profit before tax	1,304	1,632	1,291	610	53	(91.3)	(95.9)
Associates	2	7	10	10	2	(84.4)	(13.0)
Reported net profit	1,294	1,660	1,348	605	79	(87.0)	(93.9)
Core profit	1,305	1,639	1,301	605	54	(91.0)	(95.8)
Reported EPS (THB)	0.83	1.06	0.86	0.39	0.05	(87.0)	(93.9)
Core EPS (THB)	0.84	1.05	0.83	0.39	0.03	(91.0)	(95.8)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Gross margin	66.4	70.4	60.5	49.6	22.8	(26.8)	(43.6)
Operating margin	60.8	66.0	55.9	41.6	13.7	(27.9)	(47.1)
EBITDA margin	73.8	78.2	70.2	61.9	43.0	(18.9)	(30.8)
Recurring net margin	57.3	62.7	52.1	35.0	4.7	(30.2)	(52.5)
SG&A / Sales	4.2	2.9	3.4	6.7	7.3	0.6	3.1
Operating statistics						(q-q %)	(y-y %)
No. of vessels	36	37	38	38	38	0.0	5.6
BSI Index (Supramax) - average	2,287	2,627	1,793	1,327	925	(30.3)	(59.6)
BHSI Index (Handysize) - average	1,338	1,531	1,039	822	539	(34.4)	(59.7)
PSL's TCE rate (USD/ship/day)	21,995	23,901	19,840	14,343	10,022	(30.1)	(54.4)
OPEX (USD/ship/day)	4,914	4,683	5,159	4,815	5,231	8.6	6.5

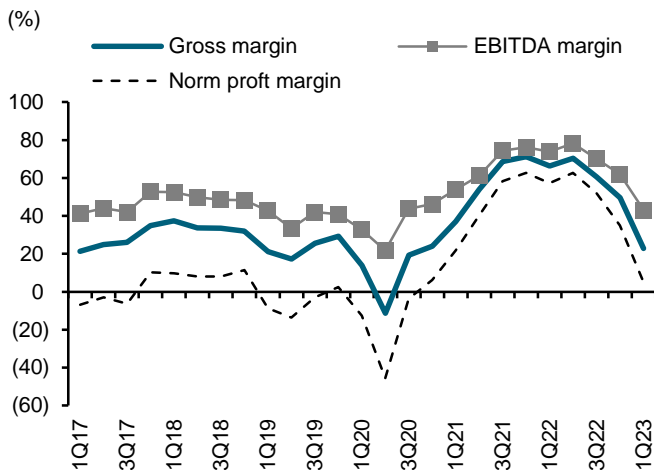
Source: PSL

Exhibit 2: PSL's TCE rates

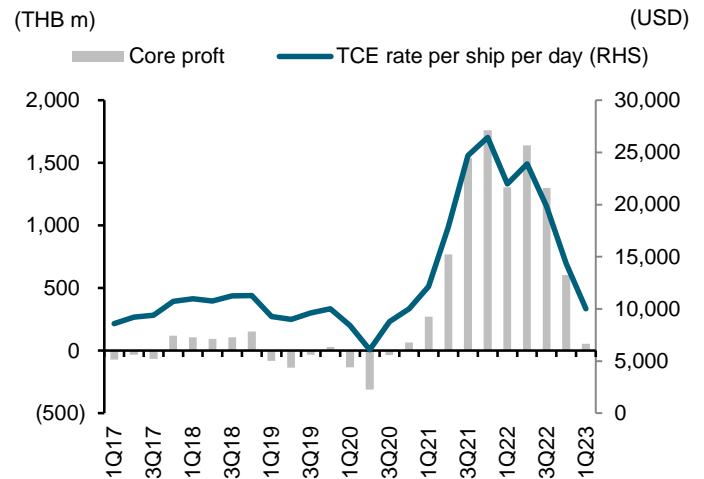
Sources: PSL; FSSIA's compilation

Exhibit 3: EBITDA and average TCE rate

Sources: PSL; FSSIA's compilation

Exhibit 4: Margins

Sources: PSL; FSSIA's compilation

Exhibit 5: Core profit vs PSL's TCE rate

Sources: PSL; FSSIA's compilation

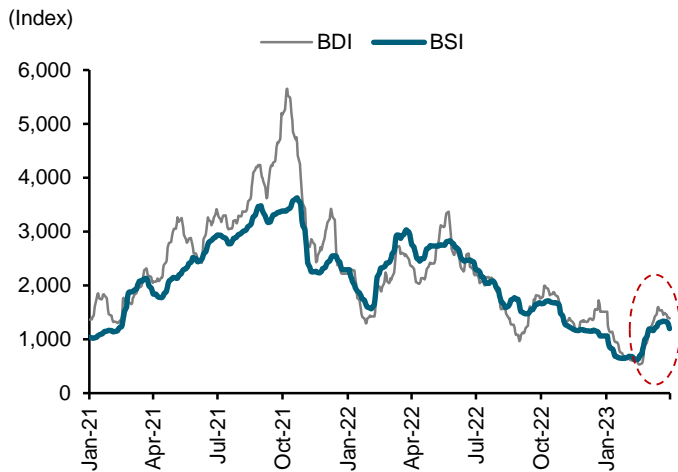
Expect a modest recovery in 2H23

Despite the global growth slowdown and the easing port congestion, we believe the worst has passed and expect a modest recovery in the dry bulk industry in 2H23. We have seen an uptick in the BDI and BSI indices since mid-February 2023. According to Clarkson Research Service, at end-March 2023, tonne-mile demand should increase from -1.7% in 2022 and 1.6% from its earlier forecast to 1.9% in 2023 and 2.3% in 2024, while net supply growth should continue its downward trend from 2.9% in 2022 to 2.7% in 2023 and 0.6% in 2024.

China has removed all remaining restrictions on Australian coal imports, ending the three-year trade dispute between the two countries and resulting in increased tonne-mile demand. India is expected to be the next China. At end-April 2023, India's population of 1.4b overtook China's, boosting the demand for global trade and dry bulk.

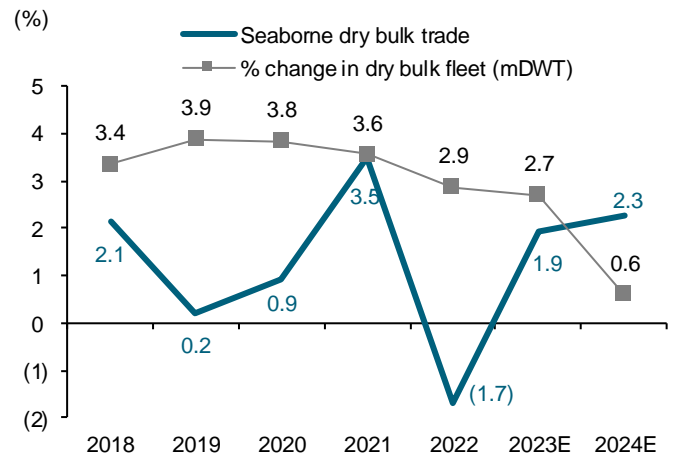
The orderbook to fleet ratio for the dry bulk sector at the beginning of 2Q23 was at a 30-year low of 6.8%. Adapting to the new requirements in the EEXI and CII should reduce the fleet supply by 2.0-2.5% per year during 2023-24 as ships slow steam.

Exhibit 6: BDI and BSI indices



Source: Bloomberg

Exhibit 7: Seaborne dry bulk trade



Source: Clarksons World Fleet Register as of 31 March 2023

Earnings and TP revisions

We believe PSL's earnings bottomed out in 1Q23 and will slowly recover in 2H23. We, however, revise down our profit forecasts by 33%/23%/18% in 2023-25, respectively, reflecting our more conservative view on its operating costs. Our TCE rate assumption of USD13,864 per ship per day for 2023 is higher than that of 1Q23 by 38% and lower than 2022's rate by 30%, which we believe is conservative enough. Our new projections see its core profit plunging 55% to THB 2.2b in 2023 before improving in 2024 onwards. Although the party is over, PSL's TCE rates and profit should well exceed its pre-Covid levels.

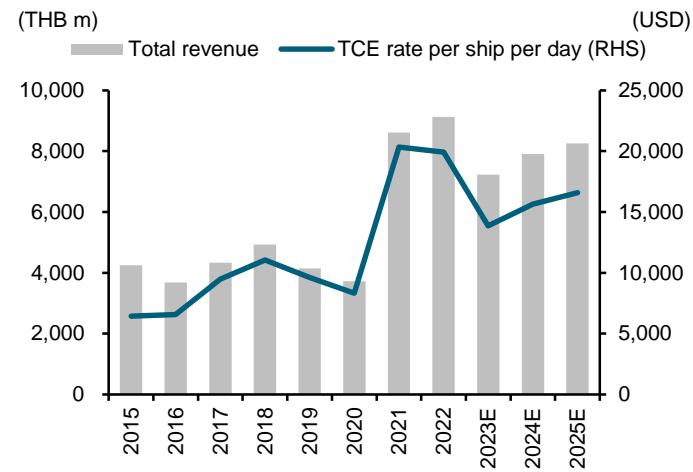
We cut our TP to THB15 from THB17 but revise our target 2023E P/E up to 10.6x from 8.0x, as we believe the worst period for dry bulk shipping is over. Our TP implies 1.3x 2023E P/BV, below its two-profitable-year historical average of 1.9x. We upgrade our rating to BUY.

Exhibit 8: Changes in key assumptions

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue	7,235	7,911	8,260	7,700	8,076	8,257	(6.0)	(2.0)	0.0
TCE rate (USD/day)	13,864	15,634	16,581	13,339	13,739	14,179	3.9	13.8	16.9
Cost of goods sold	(2,739)	(2,866)	(3,002)	(2,131)	(2,224)	(2,374)	28.5	28.9	26.4
Gross profit	4,496	5,045	5,258	5,569	5,852	5,883	(19.3)	(13.8)	(10.6)
SG&A	(518)	(547)	(569)	(542)	(555)	(568)	(4.4)	(1.5)	0.1
EBITDA	3,991	4,513	4,705	5,042	5,312	5,331	(20.8)	(15.0)	(11.7)
EBIT	2,577	3,120	3,340	3,627	3,919	3,965	(29.0)	(20.4)	(15.8)
Core profit	2,203	2,695	2,915	3,277	3,488	3,543	(32.8)	(22.7)	(17.7)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	42.6	46.2	47.1	54.0	55.2	54.7	(11.4)	(9.0)	(7.6)
EBITDA margin	55.3	57.1	57.0	65.5	65.8	64.6	(10.2)	(8.7)	(7.6)
EBIT margin	35.6	39.5	40.5	47.1	48.5	48.0	(11.5)	(9.0)	(7.5)
Core profit margin	30.5	34.1	35.3	42.6	43.2	42.9	(12.1)	(9.1)	(7.6)
Growth	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Revenue	(20.8)	9.4	4.4	(15.7)	4.9	2.2	(5.1)	4.5	2.2
Core profit	(54.6)	22.3	8.2	(32.4)	6.4	1.6	(22.1)	15.9	6.6

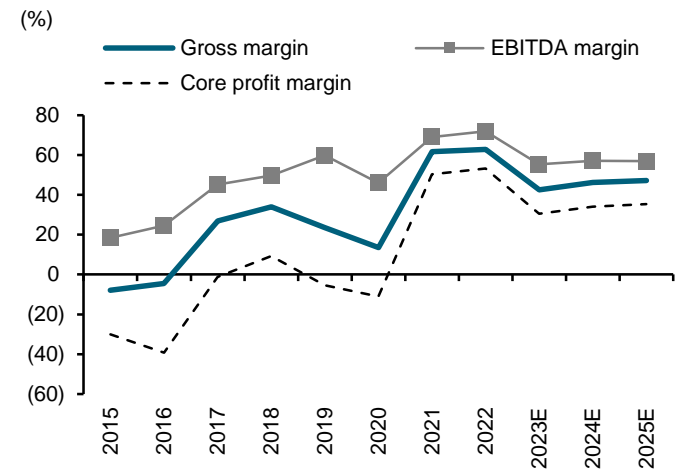
Sources: PSL, FSSIA estimates

Exhibit 9: Revenue and TCE rate



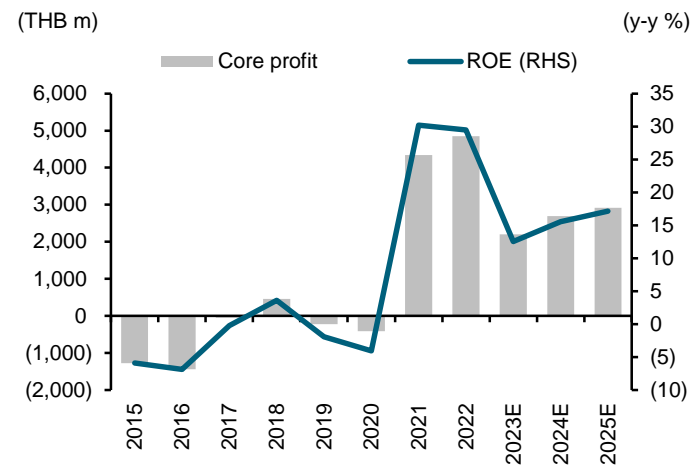
Sources: PSL, FSSIA estimates

Exhibit 10: Margins, annually



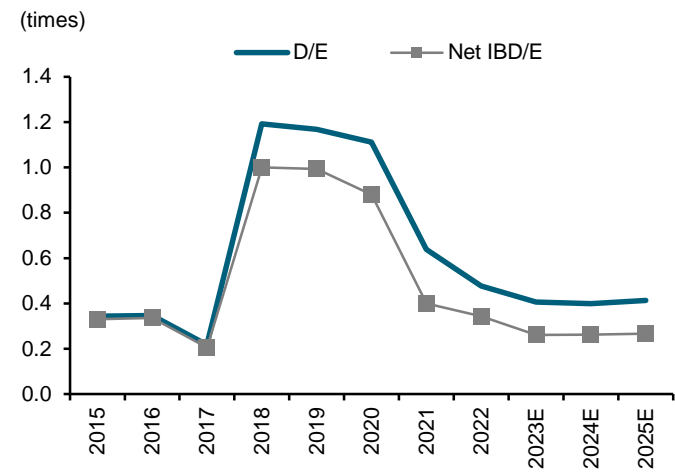
Sources: PSL, FSSIA estimates

Exhibit 11: Core profit and ROE



Sources: PSL, FSSIA estimates

Exhibit 12: D/E and IBD/E



Sources: PSL, FSSIA estimates

Financial Statements

Precious Shipping

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	8,615	9,129	7,235	7,911	8,260
Cost of goods sold	(2,091)	(2,076)	(2,739)	(2,866)	(3,002)
Gross profit	6,525	7,052	4,496	5,045	5,258
Other operating income	3	17	14	15	16
Operating costs	(581)	(517)	(518)	(547)	(569)
Operating EBITDA	5,947	6,553	3,991	4,513	4,705
Depreciation	(1,214)	(1,324)	(1,414)	(1,393)	(1,365)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	4,734	5,229	2,577	3,120	3,340
Net financing costs	(415)	(392)	(404)	(375)	(368)
Associates	23	29	31	32	33
Recurring non-operating income	23	29	31	32	33
Non-recurring items	136	0	0	0	0
Profit before tax	4,477	4,866	2,203	2,777	3,004
Tax	(2)	(15)	0	(82)	(89)
Profit after tax	4,475	4,851	2,203	2,695	2,915
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,475	4,851	2,203	2,695	2,915
Non-recurring items & goodwill (net)	(136)	0	0	0	0
Recurring net profit	4,339	4,850	2,203	2,695	2,915
Per share (THB)					
Recurring EPS *	2.78	3.11	1.41	1.73	1.87
Reported EPS	2.87	3.11	1.41	1.73	1.87
DPS	1.50	1.75	0.71	0.86	0.93
Diluted shares (used to calculate per share data)	1,559	1,559	1,559	1,559	1,559
Growth					
Revenue (%)	131.0	6.0	(20.7)	9.3	4.4
Operating EBITDA (%)	327.8	10.2	(39.1)	13.1	4.3
Operating EBIT (%)	2,570.6	10.5	(50.7)	21.1	7.0
Recurring EPS (%)	nm	11.8	(54.6)	22.3	8.2
Reported EPS (%)	nm	8.4	(54.6)	22.3	8.2
Operating performance					
Gross margin inc. depreciation (%)	61.6	62.7	42.6	46.2	47.1
Gross margin of key business (%)	61.6	62.7	42.6	46.2	47.1
Operating EBITDA margin (%)	69.0	71.8	55.2	57.1	57.0
Operating EBIT margin (%)	54.9	57.3	35.6	39.4	40.4
Net margin (%)	50.4	53.1	30.5	34.1	35.3
Effective tax rate (%)	0.0	0.3	0.0	3.0	3.0
Dividend payout on recurring profit (%)	53.9	56.3	50.0	50.0	50.0
Interest cover (X)	11.5	13.4	6.5	8.4	9.2
Inventory days	4.9	5.6	5.6	5.5	5.3
Debtor days	7.3	9.1	14.0	12.9	12.2
Creditor days	55.1	82.5	77.9	68.1	57.5
Operating ROIC (%)	19.3	19.9	9.5	11.6	12.5
ROIC (%)	19.0	19.5	9.3	11.3	12.2
ROE (%)	35.4	31.5	12.9	15.4	17.0
ROA (%)	20.8	21.6	10.3	12.2	13.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Time charter	7,723	8,992	7,039	7,629	7,979
Voyage charter	889	132	192	277	277
Service revenue	4	4	4	4	4

Sources: Precious Shipping; FSSIA estimates

Financial Statements

Precious Shipping

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	4,339	4,850	2,203	2,695	2,915
Depreciation	1,214	1,324	1,414	1,393	1,365
Associates & minorities	-	-	-	-	-
Other non-cash items	(2,160)	402	(1,013)	(1,513)	(1,513)
Change in working capital	(420)	28	(243)	(106)	(16)
Cash flow from operations	2,973	6,604	2,361	2,469	2,751
Capex - maintenance	-	-	-	-	-
Capex - new investment	(474)	(2,447)	(1,300)	(1,000)	(400)
Net acquisitions & disposals	516	0	0	0	0
Other investments (net)	415	30	(79)	4	1
Cash flow from investing	456	(2,416)	(1,379)	(996)	(399)
Dividends paid	(1,169)	(3,508)	(1,102)	(1,347)	(1,458)
Equity finance	0	0	0	0	0
Debt finance	(1,309)	(1,818)	(585)	(154)	0
Other financing cash flows	0	(380)	0	1	2
Cash flow from financing	(2,478)	(5,705)	(1,687)	(1,500)	(1,456)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	417	104	1,169	0	0
Net other adjustments	417	104	1,169	(80)	(784)
Movement in cash	1,368	(1,413)	464	(108)	112
Free cash flow to firm (FCFF)	3,844.58	4,580.64	1,386.53	1,847.40	2,720.38
Free cash flow to equity (FCFE)	2,537.14	2,095.00	1,565.64	1,239.23	1,569.79

Per share (THB)

FCFF per share	2.47	2.94	0.89	1.18	1.74
FCFE per share	1.63	1.34	1.00	0.79	1.01
Recurring cash flow per share	2.18	4.22	1.67	1.65	1.77

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	29,643	32,817	33,773	34,209	34,478
Less: Accumulated depreciation	(9,358)	(10,769)	(11,846)	(12,675)	(13,309)
Tangible fixed assets (net)	20,285	22,048	21,927	21,534	21,169
Intangible fixed assets (net)	21	16	15	15	15
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	91	81	81	81	81
Cash & equivalents	2,468	1,056	1,520	1,412	1,524
A/C receivable	175	279	277	282	271
Inventories	22	42	43	44	44
Other current assets	144	181	217	237	248
Current assets	2,810	1,557	2,057	1,974	2,088
Other assets	324	602	681	678	677
Total assets	23,531	24,304	24,761	24,282	24,029
Common equity	14,365	16,463	17,607	17,354	17,012
Minorities etc.	0	0	0	0	0
Total shareholders' equity	14,365	16,463	17,607	17,354	17,012
Long term debt	6,824	5,556	4,926	4,832	4,962
Other long-term liabilities	425	417	289	316	330
Long-term liabilities	7,249	5,974	5,215	5,148	5,293
A/C payable	441	639	659	556	533
Short term debt	1,414	1,167	1,213	1,152	1,118
Other current liabilities	61	61	67	71	74
Current liabilities	1,917	1,867	1,939	1,779	1,725
Total liabilities and shareholders' equity	23,531	24,304	24,761	24,282	24,029
Net working capital	(161)	(198)	(189)	(65)	(44)
Invested capital	20,560	22,548	22,515	22,243	21,898

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	9.21	10.56	11.29	11.13	10.91
Tangible book value per share	9.20	10.55	11.28	11.12	10.90

Financial strength

Net debt/equity (%)	40.2	34.4	26.2	26.3	26.8
Net debt/total assets (%)	24.5	23.3	18.7	18.8	19.0
Current ratio (x)	1.5	0.8	1.1	1.1	1.2
CF interest cover (x)	8.3	12.6	8.1	7.0	6.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	4.3	3.9	8.5	6.9	6.4
Recurring P/E @ target price (x) *	5.4	4.8	10.6	8.7	8.0
Reported P/E (x)	4.2	3.9	8.5	6.9	6.4
Dividend yield (%)	12.5	14.6	5.9	7.2	7.8
Price/book (x)	1.3	1.1	1.1	1.1	1.1
Price/tangible book (x)	1.3	1.1	1.1	1.1	1.1
EV/EBITDA (x) **	4.1	3.7	5.8	5.2	4.9
EV/EBITDA @ target price (x) **	4.9	4.4	7.0	6.2	5.9
EV/invested capital (x)	1.2	1.1	1.0	1.0	1.1

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Precious Shipping; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Precious Shipping (PSL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Feb-2023	HOLD	17.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 13-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Precious Shipping	PSL TB	THB 12.00	BUY	Downside risks to our P/E-based TP include 1) a fall in freight rates (time charter equivalent (TCE)); 2) exchange rate volatility; 3) China's slow economic growth; and 4) regulatory risks, including new EEXI and CII requirements, effective 1 Jan-23.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 09-May-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.