

# PRECIOUS SHIPPING

## THAILAND / TRANSPORT & LOGISTIC

# PSL TB

# HOLD

FROM BUY

## คาดว่าจะอ่อนแออีกไตรมาส

- คาดว่ากำไรปกติ 2Q23 จะลดลงต่อเนื่องอีก 88% y-y แต่กำไรโตดเพิ่ม 279% q-q จากฐานที่ต่ำผิดปกติใน 1Q23
- ปรับลดประมาณการกำไร 42%/29%/18% ในช่วงปี 2023-25 จากค่าระวางที่คาดว่าจะปรับขึ้นช้ากว่าที่คาด
- ปรับลดราคาเป้าหมายเป็น 10.3 บาท ลดคำแนะนำเป็นถือ

TARGET PRICE	THB10.30
CLOSE	THB9.40
UP/DOWNSIDE	+9.6%
PRIOR TP	THB15.00
CHANGE IN TP	-31.3%
TP vs CONSENSUS	-23.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	9,129	6,320	7,038	7,569
Net profit	4,851	1,278	1,915	2,388
EPS (THB)	3.11	0.82	1.23	1.53
vs Consensus (%)	-	(9.6)	(16.7)	(8.5)
EBITDA	6,553	3,016	3,674	4,132
Recurring net profit	4,850	1,278	1,915	2,388
Core EPS (THB)	3.11	0.82	1.23	1.53
Chg. In EPS est. (%)	-	(42.0)	(28.9)	(18.1)
EPS growth (%)	11.8	(73.7)	49.9	24.7
Core P/E (x)	3.0	11.5	7.7	6.1
Dividend yield (%)	18.6	3.5	5.2	8.1
EV/EBITDA (x)	3.1	6.5	5.2	4.5
Price/book (x)	0.9	0.9	0.8	0.8
Net debt/Equity (%)	34.4	30.0	25.4	22.6
ROE (%)	31.5	7.7	11.2	13.4

## คาดผลประกอบการที่อ่อนแออีกไตรมาส

การเติบโตที่นำผิดหวังในธุรกิจก่อสร้างและการผลิตในจีนยังคงขยายตลาดสินค้าโภคภัณฑ์อย่างต่อเนื่อง แม้ว่าค่าระวางสินค้าทั่วไปจะอ่อนแอใน 2Q23 เราเชื่อว่า PSL จะทำได้ดีกว่าที่ตลาดคาดโดยเราคาดว่าค่าระวางเฉลี่ยของ PSL ใน 2Q23 จะปรับขึ้นเล็กน้อย 12% q-q เป็น USD11,205 (แต่จะลดลง 53% y-y) จากจำนวนเรือที่ดำเนินงานที่ 38 ลำ (คงเดิม) และการควบคุมต้นทุนที่มีประสิทธิภาพ ใน 2Q23 เราคาดรายได้จากการให้บริการที่ 1.3 พัน ลบ. (+15% q-q, -50% y-y) และ EBITDA ที่ 641 ลบ. (+30% q-q, -69% y-y) เราคาดว่ากำไรปกติ 2Q23 จะลดลง 88% y-y อ่อนแอ 4 ไตรมาสติดต่อกันในขณะที่ค่าระวางการส่งสินค้าทางทะเลปรับตัวลดลง

## การฟื้นตัวช้ากว่าคาด

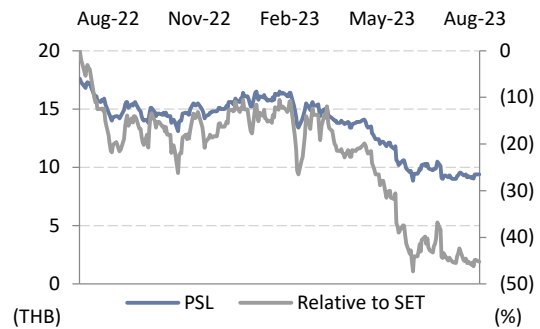
การปรับค่าระวางเรือเทกองให้กลับมายู่ในระดับปกติใช้เวลานานกว่าที่คาดส่วนมากจากการเติบโตทางเศรษฐกิจที่ลดลงในจีนและภูมิภาคสำคัญอื่น ๆ รวมถึงความต้องการสินค้าโภคภัณฑ์ในตลาดโลกที่ลดลง เราคาดว่าค่าระวางเฉลี่ยของ PSL จะอยู่ที่ USD10,613 ในช่วง 1H23 ใกล้กับระดับก่อนโควิดที่ USD9,622 ในปี 2019 กำไรปกติที่คาดไว้ที่ 260 ลบ. ในช่วง 1H23 จะลดลง 91% y-y และต่ำกว่าประมาณการเดิมของเรา ค่าระวางสินค้าเทกองทั่วไปน่าจะปรับตัวดีขึ้นในช่วง 2H23 จากปัจจัยด้านฤดูกาลแต่อาจยังต่ำกว่าประมาณการทั้งปีของเราอยู่มาก

## ปรับลดประมาณการ

เราปรับลดประมาณการกำไรปกติของเราอีกครั้งโดยปรับลดลง 42%/29%/18% ในช่วงปี 2023-25 ประมาณการดังกล่าวมีสมมติฐานจากค่าระวางรายวันที่ USD12,129 (-39% y-y), USD14,006 (+15% y-y), และ USD15,291 (+9% y-y) ในช่วงปี 2023-25 ลดลงจากประมาณการเดิมของเรา 13%/10%/8% ตามลำดับ แม้ว่าเป้าหมายการดำเนินงานรายวันต่อลำจะสูงกว่าปีที่แล้ว 12% หรือ USD5,500 เราตั้งสมมติฐานของเราอยู่ที่ USD5,026 ต่อลำซึ่งสูงกว่าเป้าหมายการของ PSL อยู่ 4% การเพิ่มของอัตราดอกเบี้ย LIBOR/SOFR น่าจะทำให้ค่าใช้จ่ายดอกเบี้ยเพิ่มสูงขึ้น

## ปรับลดราคาเป้าหมาย ลดคำแนะนำเป็นถือ

ปัจจุบันเราคาดว่ากำไรปกติจะลดลง 74% y-y ในปี 2023 ก่อนดีดกลับ 50% y-y และ 25% y-y ในช่วงปี 2024-25 เราปรับลดราคาเป้าหมายของเราจาก 15 เป็น 10.3 บาทซึ่งคิดเป็น 12.6x ของค่า 2023E P/E (เพิ่มขึ้นจาก Target P/E เดิมที่ 10.6x) เนื่องจากเราเชื่อว่าจุดต่ำสุดได้ผ่านไปแล้ว หุ่นขาดปัจจัยบวกระยะสั้น เพราะฉะนั้นเราจึงปรับลดคำแนะนำเป็นถือจากซื้อ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.1	(24.2)	(47.8)
Relative to country (%)	(2.4)	(25.5)	(46.5)
Mkt cap (USD m)	428		
3m avg. daily turnover (USD m)	3.1		
Free float (%)	48		
Major shareholder	Globex Corporation Limited (28%)		
12m high/low (THB)	18.50/8.80		
Issued shares (m)	1,559.29		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 2 สิงหาคม 2023

## Investment thesis

The pace of bulk freight rate normalisation is taking longer than expected largely due to weaker economic growth in China and other key regions as well as ebbing global commodity demand. Although we believe PSL's operating profit bottomed in 1H23, we cut our core profit forecasts again by 42%/29%/18% for 2023-25 to reflect our more bearish view of the dry cargo market in 2H23.

We cut our TP to THB10.30 based on a 2023E P/E of 12.6x and lower our rating to HOLD from Buy.

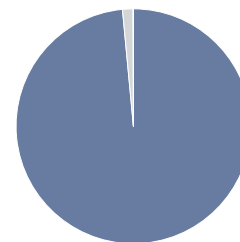
## Company profile

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](http://www.preciousshipping.com)

## Principal activities (revenue, 2022)

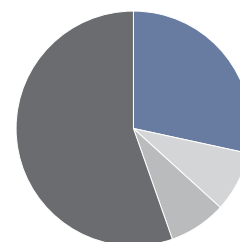
- Time charter - 98.5 %
- Voyage charter - 1.4 %
- Service revenue - 0.0 %



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 January 2023. Upside risks include 1) China's stimulus to revive its economy; and 2) the end of the Russia-Ukraine war, or the end of sanctions.

## Event calendar

Date	Event
7 August 2023	2Q23 earnings announcement
9 August 2023	2Q23 opportunity day

## Key assumptions

	2023E	2024E	2025E
TCE rate (USD/day)	12,129	14,006	15,291
TCE rate growth (%)	(39.1)	15.5	9.2
OPEX (USD/day)	5,260	5,376	5,505
Gross margin (%)	34.8	41.3	45.1
SG&A to sales (%)	6.2	6.0	6.0

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

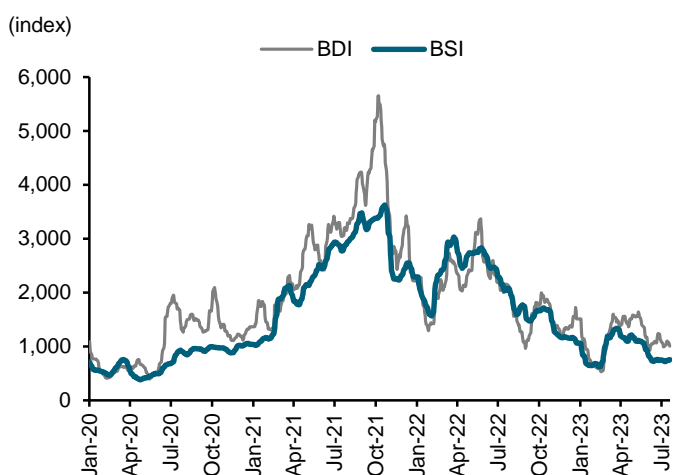


## Exhibit 1: 2Q23 earnings preview

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23E	-----Change-----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Service revenue	2,616	2,500	1,731	1,146	1,321	15.3	(49.5)	9,129	6,320	(30.8)
Cost of services	(456)	(630)	(520)	(549)	(582)	5.9	27.5	(3,401)	(4,119)	21.1
Gross profit	2,160	1,870	1,211	597	739	23.9	(65.8)	5,728	2,201	(61.6)
Operating costs	(116)	(118)	(151)	(112)	(117)	5.3	1.1	(517)	(545)	5.4
Operating profit	1,727	1,397	719	157	304	94.0	(82.4)	5,229	1,669	(68.1)
Operating EBITDA	2,046	1,754	1,072	492	641	30.1	(68.7)	6,555	3,090	(52.9)
Other income	2	2	11	7	10	41.4	460.9	17	12	(30.8)
Interest expense	(95)	(107)	(109)	(104)	(100)	(3.5)	5.5	(392)	(401)	2.3
Profit before tax	1,632	1,291	610	53	204	285.0	(87.5)	4,837	1,267	(73.8)
Associates	7	10	10	2	2	13.3	(72.0)	29	10	(65.0)
<b>Reported net profit</b>	<b>1,660</b>	<b>1,348</b>	<b>605</b>	<b>79</b>	<b>206</b>	<b>160.7</b>	<b>(87.6)</b>	<b>4,851</b>	<b>1,278</b>	<b>(73.7)</b>
<b>Core profit</b>	<b>1,639</b>	<b>1,301</b>	<b>605</b>	<b>54</b>	<b>206</b>	<b>278.6</b>	<b>(87.5)</b>	<b>4,850</b>	<b>1,278</b>	<b>(73.7)</b>
Reported EPS (THB)	1.06	0.86	0.39	0.05	0.13	161.2	(87.6)	3.11	0.82	(73.7)
Core EPS (THB)	1.05	0.83	0.39	0.03	0.13	278.6	(87.5)	3.11	0.82	(73.7)
<b>Key ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	70.4	60.5	49.6	22.8	31.1	8.4	(39.3)	62.7	34.8	(27.9)
Operating margin	66.0	55.9	41.6	13.7	23.0	9.3	(43.0)	57.3	26.4	(30.9)
EBITDA margin	78.2	70.2	61.9	43.0	48.5	5.5	(29.7)	71.8	48.9	(22.9)
Core profit margin	62.7	52.1	35.0	4.7	15.6	10.8	(47.1)	53.2	20.2	(32.9)
SG&A / Sales	2.9	3.4	6.7	7.3	8.9	1.6	6.0	4.1	6.2	2.2
<b>Operating statistics</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q %)</b>	<b>(y-y %)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>
No. of vessels	37	38	38	38	38	0.0	2.7	38	38	0.0
BSI Index (Supramax) - average	2,627	1,793	1,327	925	988	6.8	(62.4)	2,006	1,276	(36.4)
BHSI Index (Handysize) - average	1,531	1,039	822	539	571	6.0	(62.7)	1,181	912	(22.8)
PSL's TCE rate (USD/ship/day)	23,901	19,840	14,343	10,022	11,205	11.8	(53.1)	19,924	12,129	(39.1)

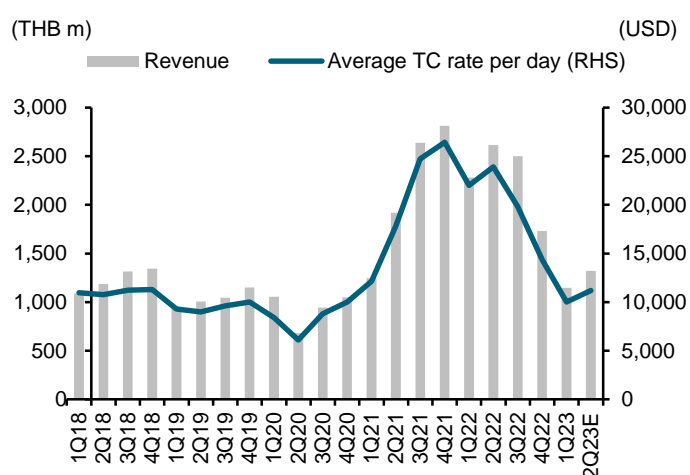
Sources: PSL, FSSIA estimates

## Exhibit 2: BDI and BSI indices



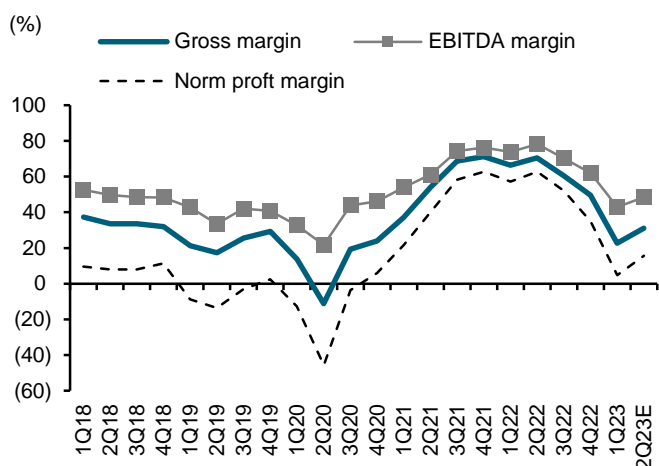
Source: Bloomberg

## Exhibit 3: PSL's freight rates and revenue



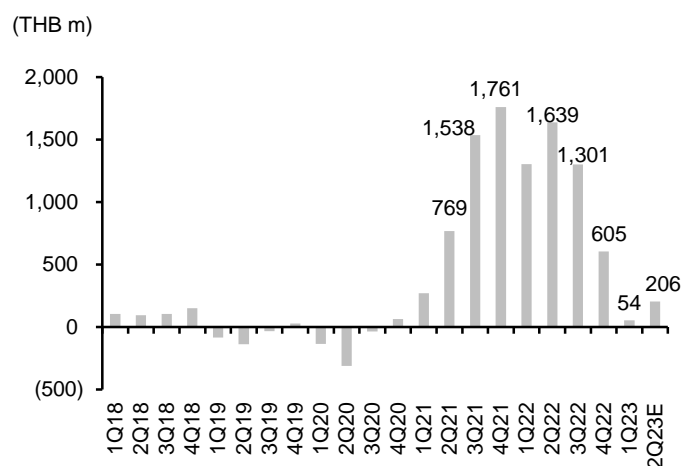
Sources: PSL, Bloomberg, FSSIA estimates

## Exhibit 4: Margins



Sources: PSL, FSSIA estimates

## Exhibit 5: Core profit



Sources: PSL, FSSIA estimates

## Projection and TP cuts

We cut our core profit forecasts by 42%/29%/18% for 2023-25 to reflect a delayed global economic recovery, particularly in China, and weaker-than-expected commodity demand. Our new projections are based on PSL's daily shipping freight rates of USD12,129 (-39% y-y), USD14,006 (+15% y-y), and USD15,291 (+9% y-y) in 2023-25, down from previous forecast by 13%/10%/8% respectively.

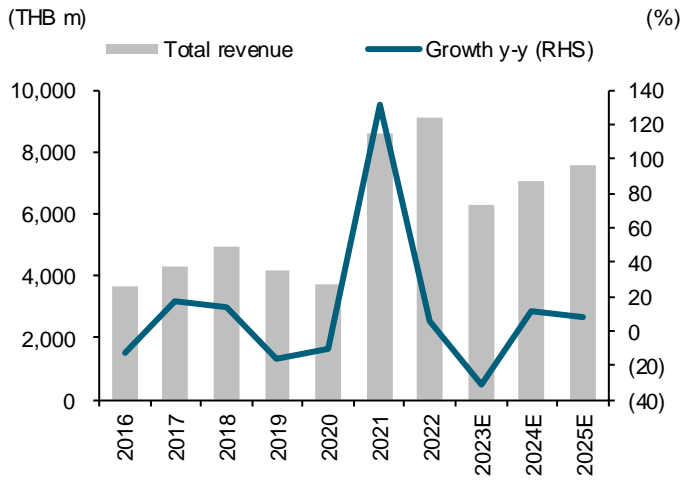
Although the company targets a daily operating cost per ship that is 12% higher than last year at USD5,500, we assume USD5,026 per ship, or 4% better than its guidance. An increase in LIBOR/SOFR rates should result in a higher interest expense. We now expect a 74% y-y contraction in core profit in 2023, before rebounding 50% y-y and 25% y-y in 2024-25. We cut PSL's TP from THB15 to THB10.30, based on 12.6x 2023E P/E, up from the previous 10.6x, as we believe the bottom has passed. The stock lacks a near-term catalyst, therefore we lower our rating to HOLD from Buy.

## Exhibit 6: 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	6,320	7,038	7,569	7,235	7,911	8,260	(12.7)	(11.0)	(8.4)
TCE rate (USD/day)	12,129	14,006	15,291	13,864	15,634	16,581	(12.5)	(10.4)	(7.8)
Cost of goods sold	(2,772)	(2,801)	(2,844)	(2,739)	(2,866)	(3,002)	1.2	(2.3)	(5.3)
Gross profit	3,548	4,237	4,725	4,496	5,045	5,258	(21.1)	(16.0)	(10.1)
SG&A	(545)	(577)	(608)	(518)	(547)	(569)	5.1	5.5	6.9
EBITDA	3,016	3,674	4,132	3,991	4,513	4,705	(24.4)	(18.6)	(12.2)
Core profit	1,278	1,915	2,388	2,203	2,695	2,915	(42.0)	(28.9)	(18.1)
<b>Margins</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	34.8	41.3	45.1	62.1	63.8	63.7	(27.3)	(22.4)	(18.5)
EBITDA margin	48.9	52.2	54.0	55.2	57.0	57.0	(6.2)	(4.8)	(3.0)
Core profit margin	20.2	27.2	31.6	30.4	34.1	35.3	(10.2)	(6.8)	(3.7)
<b>Growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Revenue	(30.8)	11.4	7.6	(20.8)	9.4	4.4	(10.0)	2.0	3.1
Core profit	(73.7)	49.9	24.7	(54.6)	22.3	8.2	(19.1)	27.6	16.5

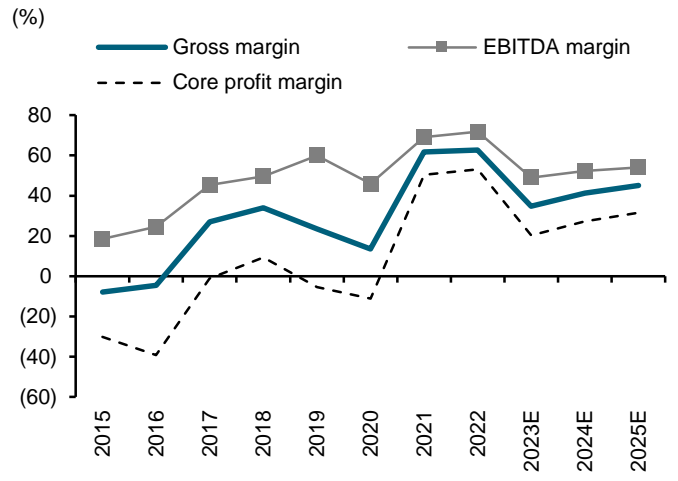
Sources: PSL, FSSIA estimates

**Exhibit 7: Revenue and growth**



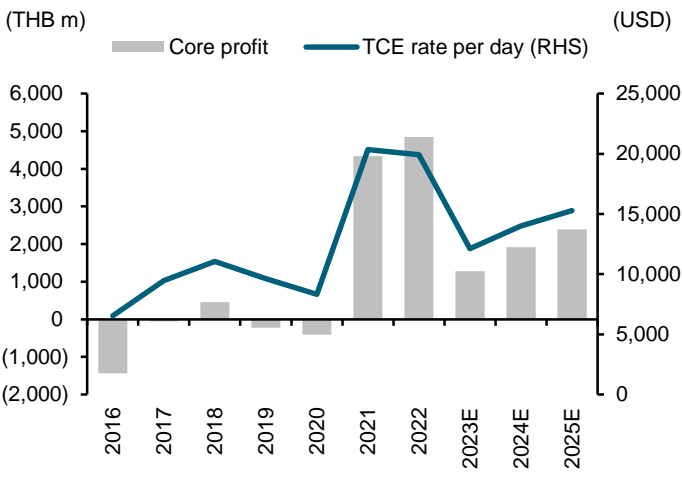
Sources: PSL, FSSIA estimates

**Exhibit 8: Margins**



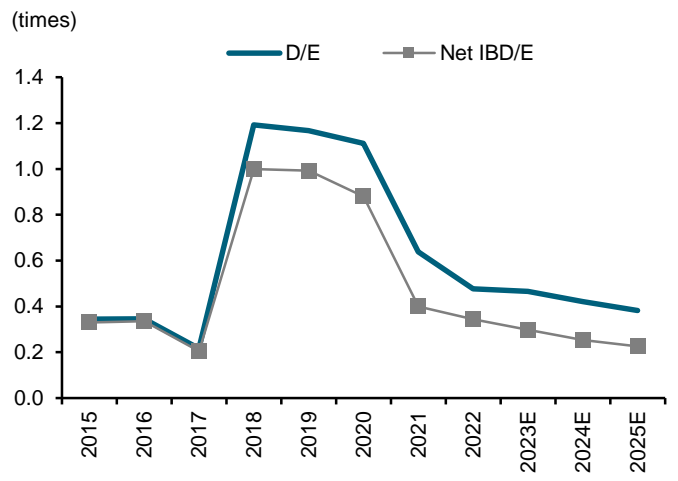
Sources: PSL, FSSIA estimates

**Exhibit 9: Core profit and freight rate**



Sources: PSL, FSSIA estimates

**Exhibit 10: D/E and net IBD/E ratios**



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	6,320	7,038	7,569
Cost of goods sold	(3,305)	(3,401)	(4,119)	(4,129)	(4,152)
<b>Gross profit</b>	<b>5,311</b>	<b>5,728</b>	<b>2,201</b>	<b>2,909</b>	<b>3,417</b>
Other operating income	3	17	12	13	14
Operating costs	(581)	(517)	(545)	(577)	(608)
<b>Operating EBITDA</b>	<b>5,947</b>	<b>6,553</b>	<b>3,016</b>	<b>3,674</b>	<b>4,132</b>
Depreciation	(1,214)	(1,324)	(1,347)	(1,328)	(1,308)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>4,734</b>	<b>5,229</b>	<b>1,669</b>	<b>2,346</b>	<b>2,824</b>
Net financing costs	(415)	(392)	(401)	(382)	(373)
Associates	23	29	10	11	11
Recurring non-operating income	23	29	10	11	11
Non-recurring items	136	0	0	0	0
<b>Profit before tax</b>	<b>4,477</b>	<b>4,866</b>	<b>1,278</b>	<b>1,974</b>	<b>2,462</b>
Tax	(2)	(15)	0	(59)	(74)
<b>Profit after tax</b>	<b>4,475</b>	<b>4,851</b>	<b>1,278</b>	<b>1,915</b>	<b>2,388</b>
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,475</b>	<b>4,851</b>	<b>1,278</b>	<b>1,915</b>	<b>2,388</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(136)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>4,339</b>	<b>4,850</b>	<b>1,278</b>	<b>1,915</b>	<b>2,388</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.78	3.11	0.82	1.23	1.53
Reported EPS	2.87	3.11	0.82	1.23	1.53
DPS	1.50	1.75	0.33	0.49	0.77
Diluted shares (used to calculate per share data)	1,559	1,559	1,559	1,559	1,559
<b>Growth</b>					
Revenue (%)	131.0	6.0	(30.8)	11.4	7.5
Operating EBITDA (%)	327.8	10.2	(54.0)	21.8	12.5
Operating EBIT (%)	2,570.6	10.5	(68.1)	40.6	20.4
Recurring EPS (%)	nm	11.8	(73.7)	49.9	24.7
Reported EPS (%)	nm	8.4	(73.7)	49.9	24.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	61.6	62.7	34.8	41.3	45.1
Gross margin exc. depreciation (%)	75.7	77.3	56.1	60.2	62.4
Operating EBITDA margin (%)	69.0	71.8	47.7	52.2	54.6
Operating EBIT margin (%)	54.9	57.3	26.4	33.3	37.3
Net margin (%)	50.4	53.1	20.2	27.2	31.6
Effective tax rate (%)	0.0	0.3	0.0	3.0	3.0
Dividend payout on recurring profit (%)	53.9	56.3	40.0	40.0	50.0
Interest cover (X)	11.5	13.4	4.2	6.2	7.6
Inventory days	4.9	5.6	5.6	5.6	5.6
Debtor days	7.3	9.1	16.6	17.1	17.3
Creditor days	55.1	82.5	84.4	91.8	83.1
Operating ROIC (%)	19.3	19.9	6.2	8.8	10.5
ROIC (%)	19.0	19.5	6.0	8.5	10.1
ROE (%)	35.4	31.5	7.7	11.2	13.4
ROA (%)	20.8	21.6	6.6	9.0	10.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Time charter	7,723	8,992	6,196	6,803	7,291
Voyage charter	889	132	120	231	274
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	1,278	1,915	2,388
Depreciation	1,214	1,324	1,347	1,328	1,308
Associates & minorities	-	-	-	-	-
Other non-cash items	(2,160)	402	672	(357)	(468)
Change in working capital	(420)	28	49	(206)	(130)
<b>Cash flow from operations</b>	<b>2,973</b>	<b>6,604</b>	<b>3,346</b>	<b>2,680</b>	<b>3,098</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(474)	(2,447)	(1,020)	(1,300)	(1,500)
Net acquisitions & disposals	516	0	0	0	0
Other investments (net)	415	30	(52)	(43)	(32)
<b>Cash flow from investing</b>	<b>456</b>	<b>(2,416)</b>	<b>(1,072)</b>	<b>(1,343)</b>	<b>(1,532)</b>
Dividends paid	(1,169)	(3,508)	(511)	(766)	(1,194)
Equity finance	0	0	0	0	0
Debt finance	(1,309)	(1,818)	(260)	(362)	0
Other financing cash flows	0	(380)	(1,166)	0	0
<b>Cash flow from financing</b>	<b>(2,478)</b>	<b>(5,705)</b>	<b>(1,937)</b>	<b>(1,129)</b>	<b>(1,194)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	417	104	74	0	0
<b>Net other adjustments</b>	<b>417</b>	<b>104</b>	<b>74</b>	<b>0</b>	<b>(386)</b>
<b>Movement in cash</b>	<b>1,368</b>	<b>(1,413)</b>	<b>411</b>	<b>209</b>	<b>(14)</b>
Free cash flow to firm (FCFF)	3,844.58	4,580.64	2,675.30	1,719.40	1,939.43
Free cash flow to equity (FCFE)	2,537.14	2,095.00	922.31	974.61	1,180.30
<b>Per share (THB)</b>					
FCFF per share	2.47	2.94	1.72	1.10	1.24
FCFE per share	1.63	1.34	0.59	0.63	0.76
Recurring cash flow per share	2.18	4.22	2.11	1.85	2.07
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	29,643	32,817	33,473	34,275	35,150
Less: Accumulated depreciation	(9,358)	(10,769)	(11,846)	(12,675)	(13,309)
<b>Tangible fixed assets (net)</b>	<b>20,285</b>	<b>22,048</b>	<b>21,627</b>	<b>21,599</b>	<b>21,841</b>
<b>Intangible fixed assets (net)</b>	<b>21</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>15</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	91	81	101	101	101
Cash & equivalents	2,468	1,056	1,467	1,675	1,662
A/C receivable	175	279	294	366	352
Inventories	22	42	43	44	44
Other current assets	144	181	253	281	303
<b>Current assets</b>	<b>2,810</b>	<b>1,557</b>	<b>2,056</b>	<b>2,367</b>	<b>2,361</b>
Other assets	324	602	654	697	729
<b>Total assets</b>	<b>23,531</b>	<b>24,304</b>	<b>24,453</b>	<b>24,779</b>	<b>25,047</b>
Common equity	14,365	16,463	16,684	17,433	18,127
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>14,365</b>	<b>16,463</b>	<b>16,684</b>	<b>17,433</b>	<b>18,127</b>
Long term debt	6,824	5,556	5,251	5,003	4,775
Other long-term liabilities	425	417	442	387	416
<b>Long-term liabilities</b>	<b>7,249</b>	<b>5,974</b>	<b>5,693</b>	<b>5,390</b>	<b>5,191</b>
A/C payable	441	639	773	773	653
Short term debt	1,414	1,167	1,213	1,098	990
Other current liabilities	61	61	91	84	86
<b>Current liabilities</b>	<b>1,917</b>	<b>1,867</b>	<b>2,076</b>	<b>1,955</b>	<b>1,728</b>
<b>Total liabilities and shareholders' equity</b>	<b>23,531</b>	<b>24,304</b>	<b>24,453</b>	<b>24,779</b>	<b>25,047</b>
Net working capital	(161)	(198)	(274)	(167)	(39)
Invested capital	20,560	22,548	22,123	22,245	22,646
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	9.21	10.56	10.70	11.18	11.63
Tangible book value per share	9.20	10.55	10.69	11.17	11.62
<b>Financial strength</b>					
Net debt/equity (%)	40.2	34.4	30.0	25.4	22.6
Net debt/total assets (%)	24.5	23.3	20.4	17.9	16.4
Current ratio (x)	1.5	0.8	1.0	1.2	1.4
CF interest cover (x)	8.3	12.6	5.8	6.9	8.2
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>3.4</b>	<b>3.0</b>	<b>11.5</b>	<b>7.7</b>	<b>6.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>3.7</b>	<b>3.3</b>	<b>12.6</b>	<b>8.4</b>	<b>6.7</b>
Reported P/E (x)	3.3	3.0	11.5	7.7	6.1
Dividend yield (%)	16.0	18.6	3.5	5.2	8.1
Price/book (x)	1.0	0.9	0.9	0.8	0.8
Price/tangible book (x)	1.0	0.9	0.9	0.8	0.8
EV/EBITDA (x) **	3.4	3.1	6.5	5.2	4.5
EV/EBITDA @ target price (x) **	3.7	3.3	7.0	5.6	4.9
EV/invested capital (x)	1.0	0.9	0.9	0.9	0.8
* 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)<sup>1</sup>

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).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> 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

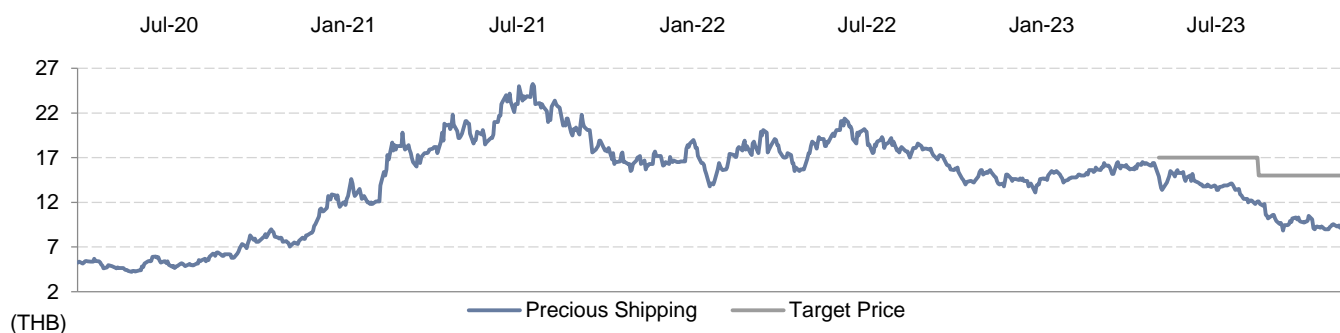
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### History of change in investment rating and/or target price

#### Precious Shipping (PSL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Feb-2023	HOLD	17.00	10-May-2023	BUY	15.00	-	-	-

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 9.40	HOLD	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. Upside risks include 1) China's stimulus to revive the economy; and 2) the end of the Russia-Ukraine war, or the end of sanctions.

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 31-Jul-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.