

Thailand Shipping

Long road to recovery

- Following the pandemic era's historic boom, ocean freight rates have collapsed along with Thai dry bulk carriers' core profits due to the weak global economy.
- The container market faces an influx of fleet supply while the dry cargo market has the lowest orderbook in almost 30 years. Dry bulk shipping is in a more favourable position, in our view.
- We have a NEUTRAL call on Thailand's shipping sector as the pace of recovery may be slow.

The demand-supply situation and freight rates for bulk carriers to normalise in 2024

After an historic boom during the pandemic era, the Baltic Supramax Index (BSI) has fallen from a peak of 3,624 points on 21 September 2021 to 733 points on 27 July 2023 – an 80% plunge. Meanwhile, the core profits of Thai dry bulk carriers largely fell for three consecutive quarters from 3Q22 to 1Q23. China's economic growth missed forecasts in 2Q23 with only 0.8% q-q growth, compared to 2.2% q-q growth in 1Q23, due to a slowdown in domestic consumption and weaker global demand, raising concerns over the speed of its recovery. Other parts of the world are poised to slow further. With weaker-than-expected demand in key regions, we believe that the demand-supply situation for the bulk industry will find a balance as freight rates normalise in 2024.

Low orderbook, slow steaming, and regulations to help bulk industry in 2024

The dry bulk fleet is currently at historic lows. In 2023, the orderbook for new ships stood at 6.9% of total dry bulk fleet capacity, the lowest level in 27 years. Ships over 20 years of age – many of which will soon be too old to sail – make up 8.1% of the total fleet in 2023 and should account for 12.7% by 2026. Although congestion eased after the pandemic, regulations lowering speed limits cap supply growth. Ships have been sailing at lower speeds to cut back on fuel consumption and reduce air pollution and emissions. Environmental regulations including EEXI and CII may result in super slow steaming, blank sailing, and demolition, adding to the reduced available fleet capacity. With a limited orderbook, the dry bulk market is in a favourable position compared to container shipping which is facing a flood of new capacity.

NEUTRAL weight call

We have a NEUTRAL call on Thailand's shipping sector largely because the pace of the bulk freight rate recovery may take longer than expected. China's slow economic recovery poses a challenge for global growth and commodity demand. Although the share prices of Thai dry bulk shipping operators have fallen 30-40% in 2023 YTD, reflecting the 30% crash in the BSI, we believe it is too early to enter at the present levels as the industry lacks near-term positive catalysts.

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Precious Shipping	PSL TB	9.40	HOLD	BUY	10.30	15.00	-31.33%	+9.6%
Thoresen Thai Agencies	TTA TB	6.35	HOLD	BUY	7.00	9.00	-22.22%	+10.2%

Note: Priced at close of business 31/07/2023. Share prices and TPs are in listing currency.
Source: FSSIA estimates



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Investment thesis

We have a NEUTRAL view for Thailand's shipping sector largely because the recovery in bulk freight rates may take longer than expected. Although the share prices of Thai dry bulk shipping operators have fallen 30-40% in 2023 YTD, reflecting the 30% crash in the BSI, we believe it is too early to enter at the present levels as the industry lacks near-term positive catalysts.

China's slow economic recovery poses a challenge for global growth and commodity demand. We believe that the demand-supply situation for the bulk industry will find a balance and freight rates will be normalised in 2024. With a limited orderbook, the dry bulk market is in a favourable position compared to container shipping which is facing a flood of new capacity. Moreover, dry bulk vessels have been slow steaming primarily to reduce fuel consumption, pollution, and carbon emissions. This will add to dry cargo supply constraints in 2024 onwards.

Catalysts

- 1) A strong economic recovery in China;
- 2) A rise in seaborne trade and an increase in iron ore, coal, grain, and metals transportation;
- 3) An increase in demolition and the low orderbook could lead to a rise in freight rates;
- 4) The postponement of ship deliveries;
- 5) New zero-carbon technologies may create opportunities for the shipping market.

Risks to our call

Upside risks

- 1) China's stimulus to revive the economy;
- 2) The increase in aged capacity may boost the number of scrapped ships.

Downside risks

- 1) A global growth slowdown;
- 2) A prolonged Russia-Ukraine war.

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Company Report

PRECIOUS SHIPPING (PSL TB, HOLD, TP THB10.3)
THORESEN THAI AGENCIES (TTA TB, HOLD, TP THB7)

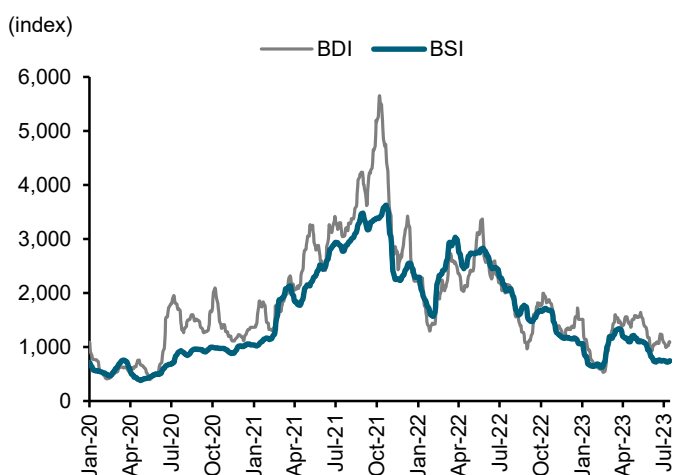
Event Calendar

Date	Event
11-15 Aug 2023	2Q23 results announcements
Mid-Aug 2023	2Q23 analyst meetings
11-15 Nov 2023	3Q23 results announcement
Mid-Nov 2023	3Q23 analyst meetings

Despite high season, dry bulk freight rates declined in 2Q

In 2Q23, the Supramax markets underperformed their potential due to decreased grain shipments and a slow recovery in demand from China. The BSI slipped from 1,198 points at end-March all the way down to 749 points at end-June, or a decline of 37%. The average BSI, however, increased 7% q-q to 988 points in 2Q23 from an average of 927 points in 1Q23 but tumbled 62% y-y. The Baltic Dry Index (BDI), which is a composite of vessels of all sizes, was up 30% q-q but fell 47% y-y in 2Q23. Dry bulk markets are typically low in the first quarter owing to reduced activity during the Chinese New Year. The normal seasonal pattern indicates that dry bulk freight rates typically peak in the second quarter amid the harvest season for soft commodities in South America. But this time was different. The BDI and BSI continued their declines during the first two weeks of July after China released weak economic data in June. China's export slump steepened in June while imports fell for the fourth straight month due to deteriorating domestic demand for copper and steel products. The June manufacturing PMI contracted for a third month as its growth momentum stalled.

Exhibit 1: BDI and BSI indices



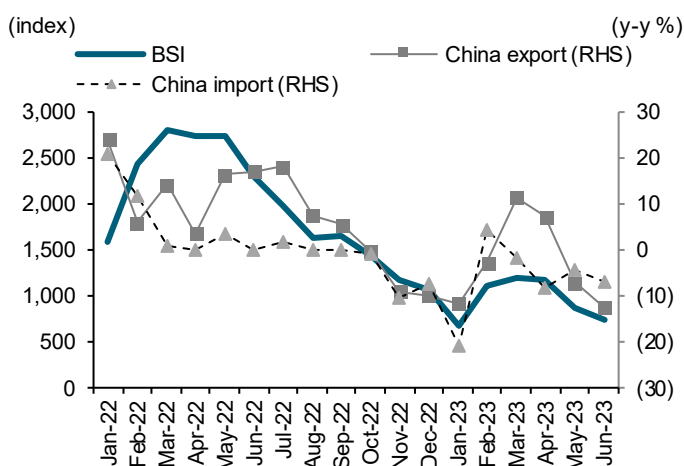
Source: Bloomberg

Exhibit 2: The average BDI and BSI indices

	BDI (index)	BSI (index)
2019	1,344	877
2020	1,066	746
2021	2,921	2,424
1Q22	2,044	2,287
2Q22	2,519	2,627
3Q22	1,645	1,789
4Q22	1,522	1,327
1Q23	1,018	927
2Q23	1,326	988
3QTD	1,045	736
2Q23 (q-q %)	30	7
2Q23 (y-y %)	(47)	(62)
2023 YTD (%)	(28)	(30)

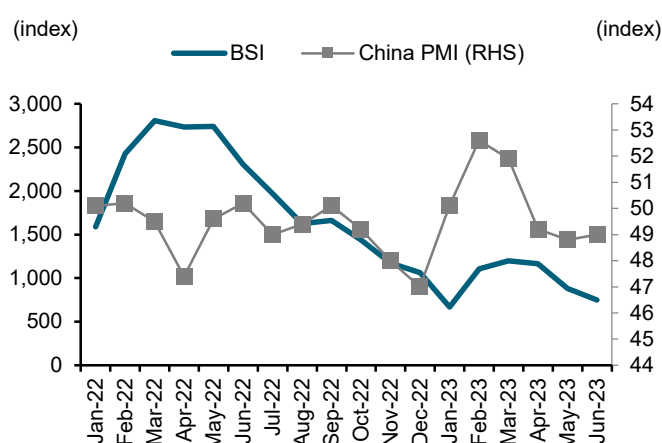
Source: Bloomberg

Exhibit 3: BSI and China's exports and imports



Source: Bloomberg

Exhibit 4: BSI and China's PMI

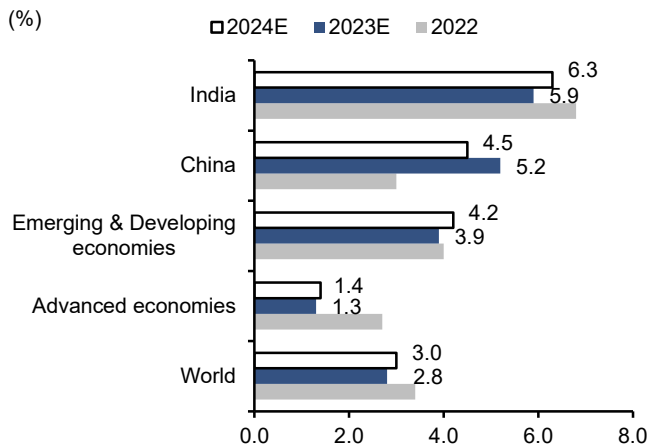


Source: Bloomberg

The dry bulk freight rate recovery may take longer than expected

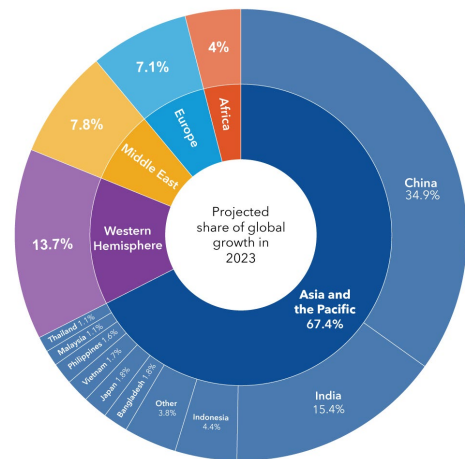
According to the International Monetary Fund (IMF), world GDP growth is expected to fall from 3.4% in 2022 to 2.8% in 2023, before bouncing back to 3.0% in 2024. China, which the IMF expects to generate 35% of global growth, is expected to grow by 5.2% in 2023 and 4.5% in 2024. China's 2.2% q-q and 0.8% q-q GDP growth for 1Q23 and 2Q23 has triggered concerns over the speed of its recovery. Other parts of the world are poised to slow further. With weaker-than-expected demand in key regions, we believe that the demand-supply situation for the bulk industry will find a balance and freight rates will normalise in 2024.

Exhibit 5: Global economic growth



Sources: IMF, World Economic Outlook, April 2023

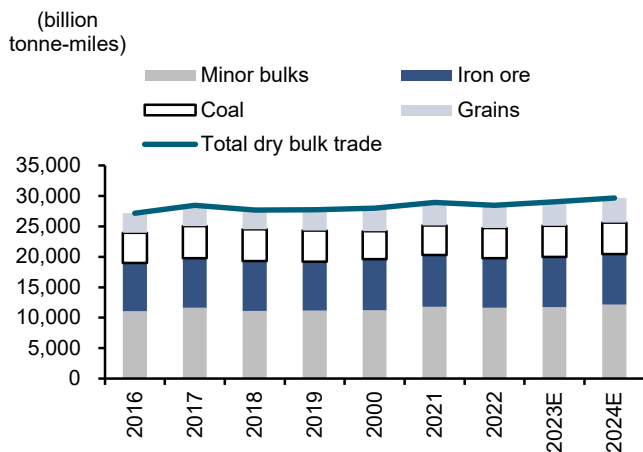
Exhibit 6: GDP growth drivers by region



Sources: IMF, World Economic Outlook, April 2023

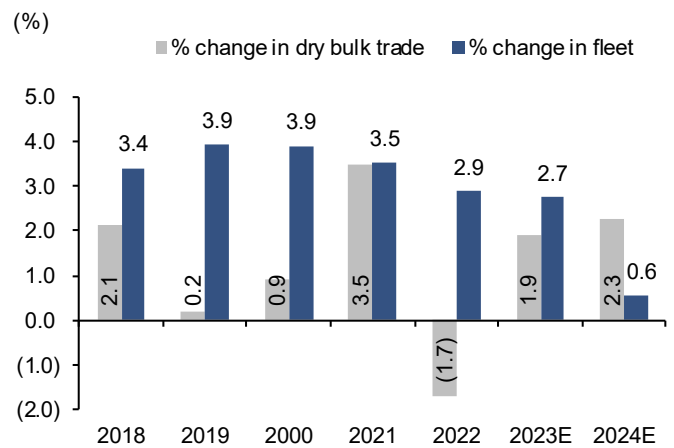
According to Clarksons Research, after the 1.7% decrease in 2022, dry bulk demand is expected to increase moderately by 1.9% in 2023 before rising to 2.3% in 2024. Fleet expansion, however, is projected to grow at a faster rate of 2.7% in 2023 and remain stable at 0.6% in 2024.

Exhibit 7: Total dry bulk trade



Source: Clarksons Research, April 2023

Exhibit 8: Growth in dry bulk trade and fleet

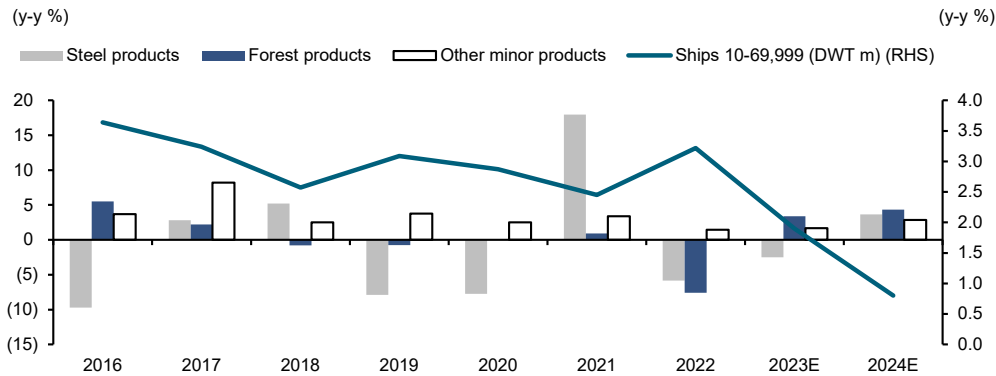


Source: Clarksons Research, April 2023

Minor bulks account for approximately 40% of the total dry bulk market measured by volume. Minor bulk shipping carries a wide range of commodities including semi-finished or finished steel products, scrap metal, cement, lumber or forest products, fertilisers, and bulky agricultural products.

The demand-supply outlook for the minor bulk market is also challenging in 2023 with only 1.3% trade growth and a 1.9% fleet expansion, according to Clarksons Research. Cement, clinker, and steel shipments dropped in 1H23 due to the housing downturn in China. Fertiliser shipments, as well, have declined due to the global drop in fertiliser prices. Optimism for better rates in 2024 remains with accelerated demand growth of 3.2% and limited supply growth of only 0.8% projected. Note that most of the ships in PSL and TTA's fleets are small vessels with an average size of 46K-56K DWT.

Exhibit 9: Growth in minor bulk trade and fleet



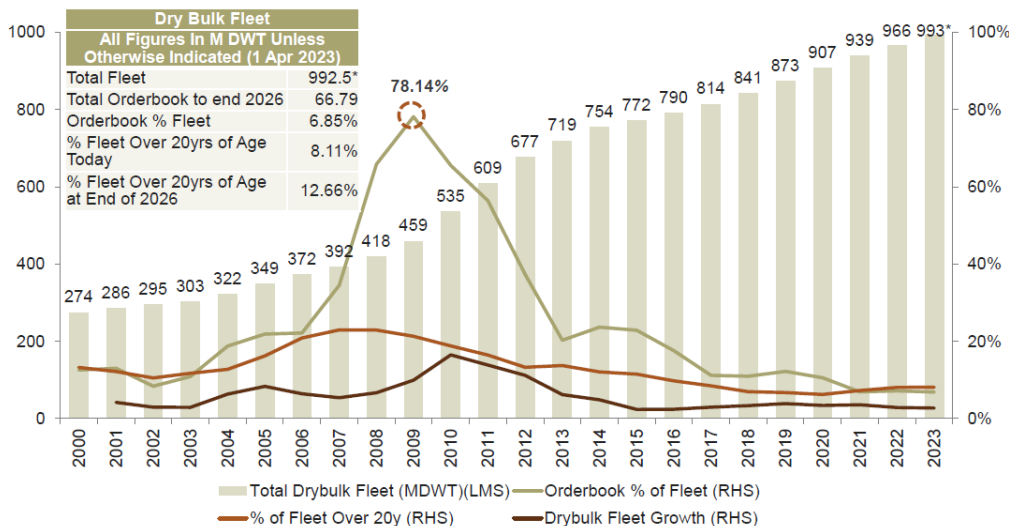
(unit: billion tonne-miles)	2018	2019	2020	2021	2022	2023E	2024E
Steel products	2,003	1,845	1,702	2,008	1,891	1,844	1,911
Forest products	2,237	2,220	2,220	2,240	2,070	2,140	2,233
Other minor products	6,863	7,121	7,299	7,546	7,654	7,781	8,002
Total minor bulk	11,102	11,187	11,220	11,794	11,616	11,765	12,146
% Change in minor bulk	3.7	0.8	0.3	5.1	(1.5)	1.3	3.2
Ships 10-69,999 (DWT m)	304	313	322	330	341	347	350
% Change in 10-69,999 (m DWT)	2.6	3.1	2.9	2.5	3.2	1.9	0.8

Source: Clarksons Research, April 2023

Several factors pressure supply side support for dry bulk rates

1. Dry bulk orderbook at historic lows. In 2023, the orderbook for new ships stood at 6.9% of total dry bulk fleet capacity, the lowest level in 27 years. Ships over 20 years of age made up 8.1% of the total fleet in 2023, rising to 12.7% by 2026. These ships will soon be too old to sail, adding to the tight supply situation in the near future. The higher cost of new ships, lower priced second-hand ships, and uncertainty surrounding future fuels and new vessel designs may exacerbate the low supply growth outlook.

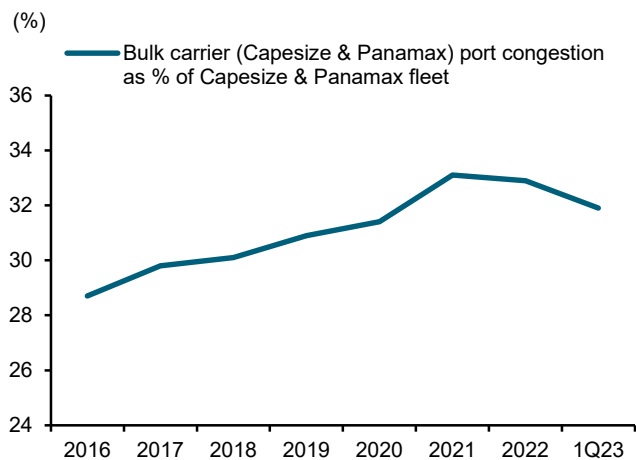
Exhibit 10: Two decades of dry bulk fleet orderbooks



Note: * End 2023 Fleet capacity from Clarksons March 2023 DBTO
Sources: Clarksons World Fleet Register, 31 March 2023, PSL presentation

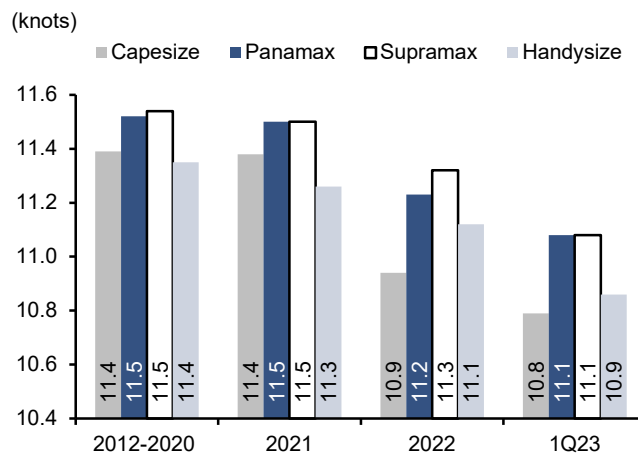
2. Sailing speed. Although port waiting times and congestion have eased after the pandemic, lower speed limits cap supply growth. Ships have been sailing at ever-lower speeds to cut back on fuel consumption and reduce air pollution and carbon emissions. For every 10% reduction in speed, fuel consumption is reduced by almost 20%. Slow steaming also effectively reduces vessel supply. Note that one nautical mile in speed reduction in the global fleet equates to a 5.5% decrease in the effective supply of vessels.

Exhibit 11: Port congestion



Sources: Clarksons Speed Timeseries, 31 March 2023, PSL Presentation

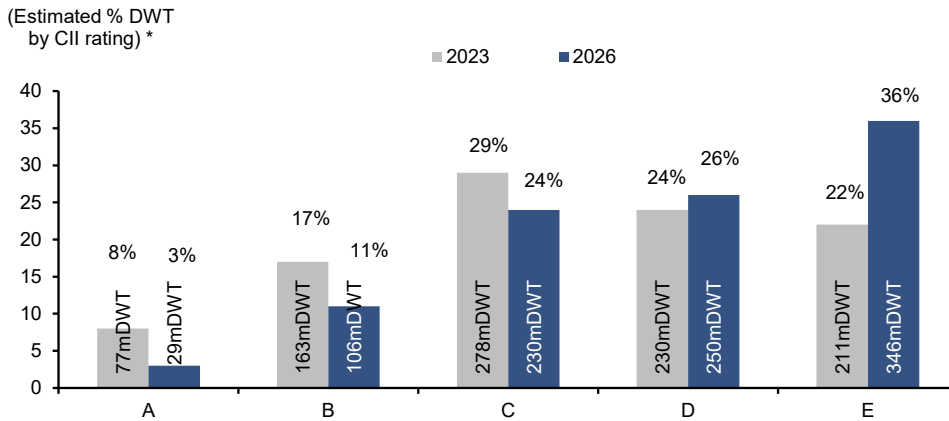
Exhibit 12: Average speed



Sources: Clarksons Speed Timeseries, 31 March 2023, PSL Presentation

3. Regulations impact. With 2.8% of all global greenhouse gas emissions, the maritime sector is one of the largest sources of global carbon emissions. Environmental regulations, including the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII), which came into effect in January 2023, will reduce shipping speed in coming years. EEXI calculates energy efficiency compared to a baseline. CII measures the operational efficiency of ships transporting goods and is expressed in grams of CO2 emitted per cargo-carrying capacity and nautical miles. A ship's CII is annually rated A to E (where A is the best). A ship receiving a D for three consecutive years or an E for a single year needs to develop a carbon reduction plan for its flag state. In 2026, 62% of the global dry bulk fleet will receive a failing CII score (D and E). Although there is presently no penalty, slow steaming is likely one of the options to avoid the possibility of sanctions or reputational damage.

Exhibit 13: Impact of CII on the bulk carrier fleet

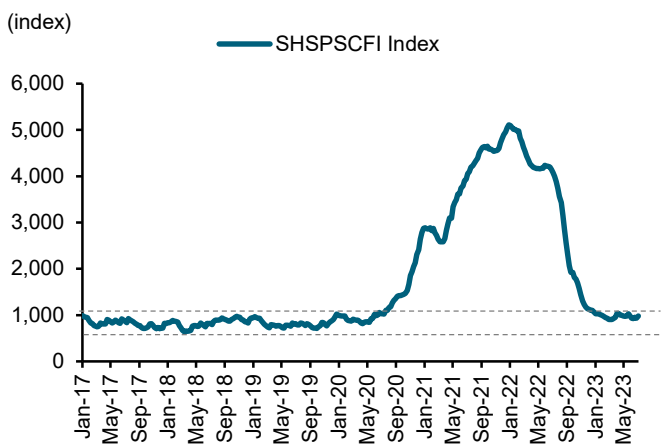


Noted: * DNV as on October 2022.
Sources: Clarksons World Fleet Register, 31 March 2023. PSL Presentation.

New wave of fleet growth weighs on container market

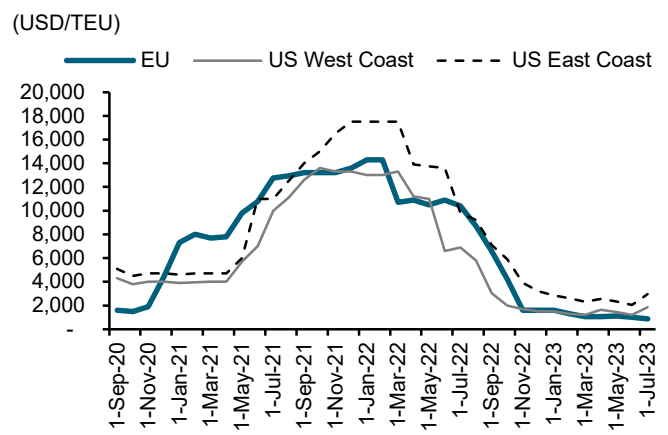
After enjoying an historic boom during the pandemic, the Shanghai Containerized Freight Index (SCFI) stood at 966 points on 21 July 2023, down 81% from the peak of 5,110 points on 2 January 2022. In 2Q23, the SCFI averaged 984 points, slightly up by 1% q-q but down 77% y-y from the average of 4,210 points in 2Q22. The rate continued its slide, averaging 959 points in 3QTD. Unlike the dry bulk market where there are minimal new vessels on order, the container shipping market is facing a tremendous influx of new capacity amid slow demand, pointing to continued weaker freight rates.

Exhibit 14: Container index close to pre-pandemic level



Source: Bloomberg

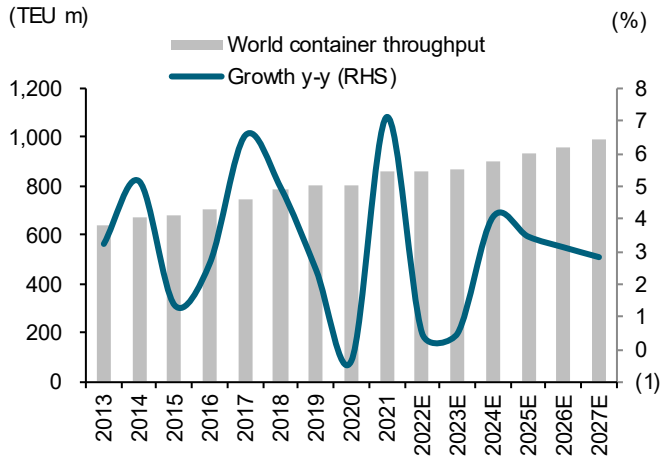
Exhibit 15: Container rates from Thailand to major ports



Source: Thai National Shippers' Council

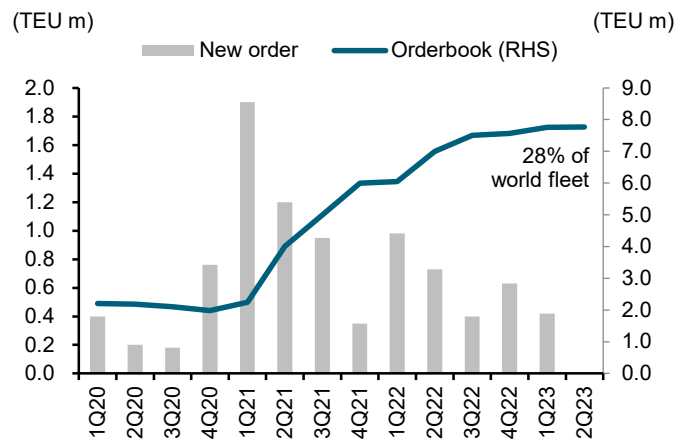
The container shortages during the pandemic saw ship owners invest heavily in new ships, creating a swelling orderbook. The new record high container orderbook of 7.5m TEU equals 28% of the existing world fleet and is scheduled to be delivered in 2023-25. Despite slow steaming and weak global trade demand, the excess capacity will be difficult to absorb. We believe container freight rates will have another tough year ahead.

Exhibit 16: Global container trade struggles



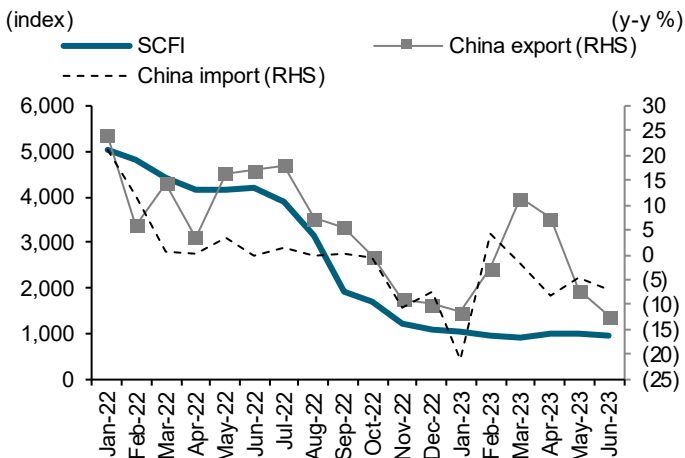
Source: Statista 2023

Exhibit 17: Record container orderbook



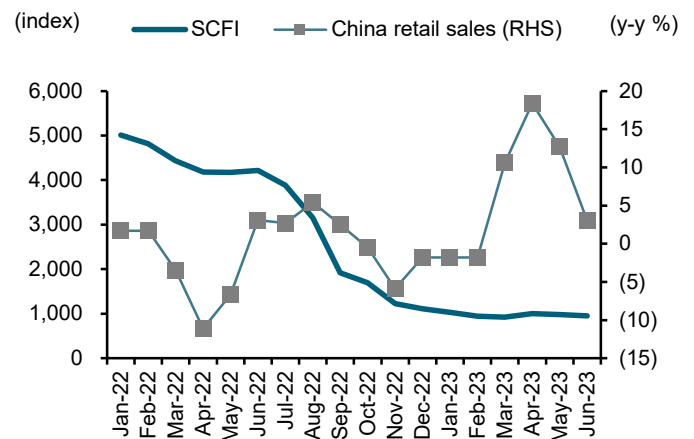
Source: Clarksons Shipping Intelligence Network

Exhibit 18: Weak demand for Chinese goods affects SCFI



Source: Bloomberg

Exhibit 19: SCFI falls amid sluggish demand from China



Source: Bloomberg

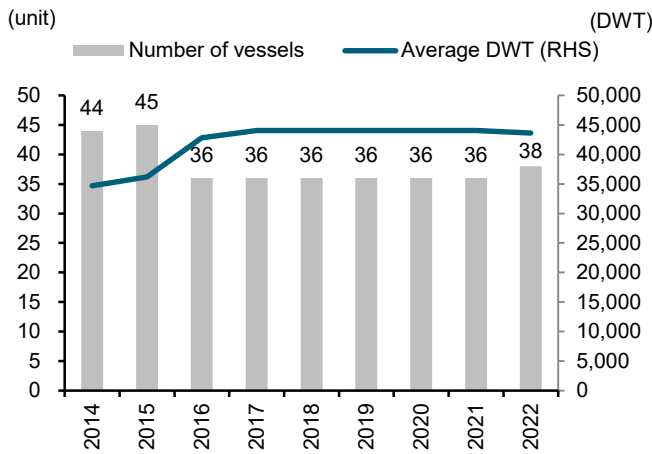
NEUTRAL weight call

We have a NEUTRAL call on Thailand’s shipping sector largely because the bulk freight rate recovery may take longer than expected. China’s slow economic recovery poses a challenge for global growth and commodity demand. We have HOLD calls for both PSL and TTA.

However, unlike the flood of new capacity in container shipping, the dry bulk market is set to see limited supply growth in 2024 as the current orderbook for new ships at 6.9% of total dry bulk fleet capacity is at its lowest level in almost 30 years. According to Clarksons Research, annual minor bulk fleet growth will slow to 1.9% in 2023 and 0.8% in 2024 compared to 3.2% in 2022, while the demand for minor bulk shipping will increase 1.3% in 2023 and 3.2% in 2024 compared with a 1.5% decline in 2022.

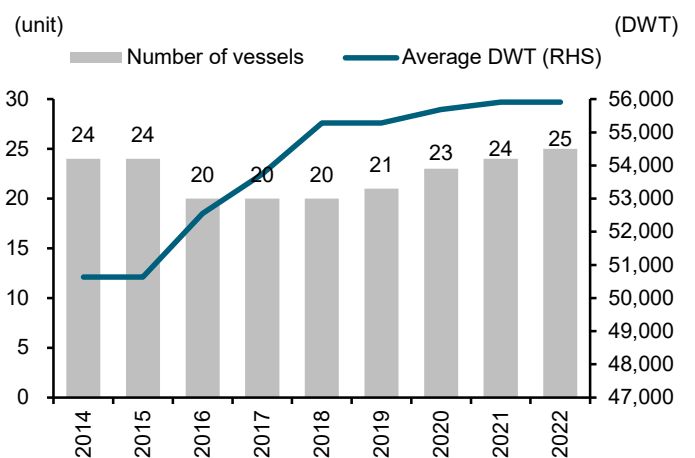
Dry bulk vessels have been slow steaming primarily to reduce fuel consumption and pollution emissions. This will add to dry cargo supply constraints in 2024 onwards. Although the share prices of Thai dry bulk shipping operators have fallen 30-40% in 2023 YTD, reflecting the 30% crash in the BSI, we believe it is too early to enter at the present levels as the industry lacks near-term positive catalysts.

Exhibit 20: PSL’s number of vessels



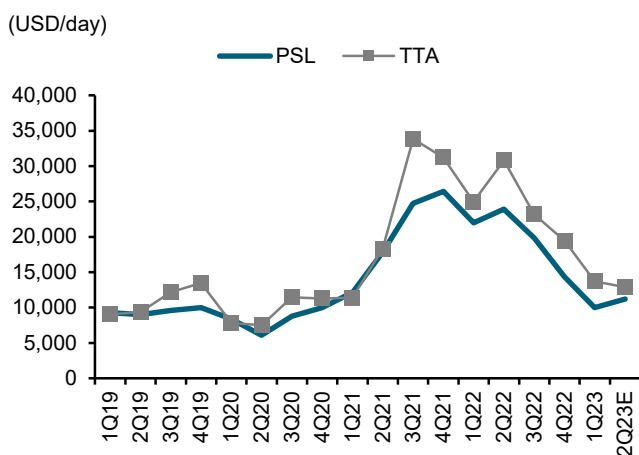
Sources: PSL

Exhibit 21: TTA’s number of vessels



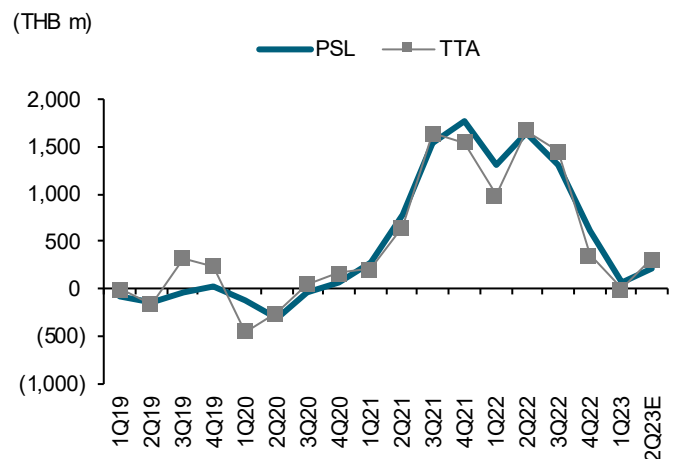
Sources: TTA

Exhibit 22: Dry bulk freight rates, quarterly



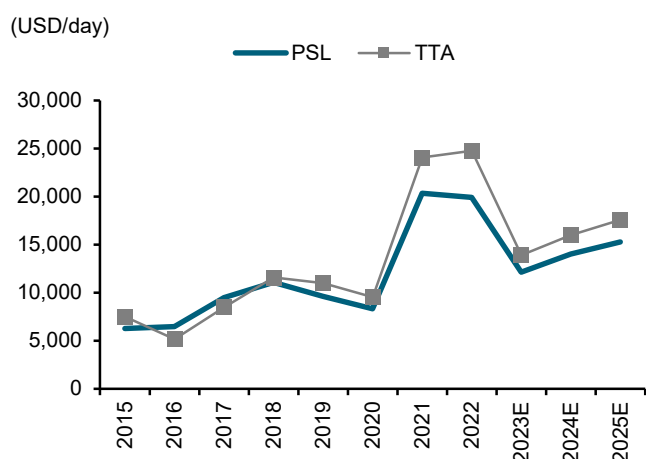
Sources: PSL, TTA

Exhibit 23: Core profits, quarterly



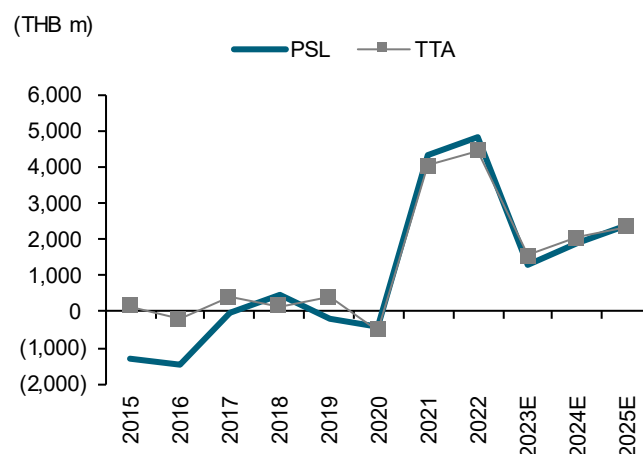
Sources: PSL, TTA

Exhibit 24: Dry bulk freight rates, annually



Sources: PSL, TTA

Exhibit 25: Core profits, annually



Sources: PSL, TTA

Exhibit 26: Peers comparison

Company	BBG	Market Cap (USD m)	EPS		- EPS growth -		PE		PBV		-- EV/ EBITDA --	
			23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand												
Thoresen Thai Agencies Pcl	TTA TB	338	0.9	1.1	(52)	32	7.4	5.6	0.5	0.4	3.8	2.8
Precious Shipping Pcl	PSL TB	428	0.8	1.2	(74)	50	11.5	7.7	0.9	0.8	6.5	5.2
Thailand average		767	0.8	1.2	(63.0)	40.9	9.4	6.6	0.7	0.6	5.2	4.0
Regional												
Eagle Bulk Shipping Inc	EGLB US	453	3.5	6.5	(77)	85	2.6	13.0	0.8	0.8	1.4	3.5
D/S Norden	DNORD DC	1,664	9.5	7.6	(59)	(19)	2.4	5.2	1.4	1.2	1.4	2.2
Diana Shipping Inc	DSX US	392	0.4	0.6	(71)	49	2.9	9.8	0.7	n/a	4.9	6.1
Globus Maritime Limited	GLBS US	18	0.2	0.7	(86)	335	0.7	5.2	0.1	0.1	0.3	0.9
Genco Shipping & Trading Ltd	GNK US	611	1.3	2.5	(64)	85	3.9	10.7	1.0	0.6	3.2	5.6
Navios Maritime Partners Lp	NMM US	729	12.4	14.3	(17)	16	1.6	1.9	0.3	n/a	3.5	3.3
Star Bulk Carriers Corp	SBLK US	1,834	2.6	4.3	(53)	66	3.1	6.9	0.9	0.9	3.6	6.3
Regional average		5,701	4.3	5.2	(61.0)	88.1	2.5	7.5	0.7	0.7	2.6	4.0
Overall average		6,467	3.5	4.3	(61.4)	77.6	4.0	7.3	0.7	0.7	3.2	4.0

Notes: Share prices as of 31 July 2023

Sources: Bloomberg, FSSIA estimates

PRECIOUS SHIPPING PSL TB

THAILAND / TRANSPORT & LOGISTIC

HOLD

FROM BUY

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%

Expect another weak quarter

- Expect 2Q23 core profit to continue to tumble by 88% y-y but jump 279% q-q from the abnormally low base in 1Q23.
- Expected delays in the pace of freight rate improvement lead us to cut our profit forecasts by 42%/29%/18% in 2023-25.
- TP cut to THB10.30; downgrade to HOLD.

Another weak quarter expected

Disappointing construction and manufacturing growth in China continued to rattle the commodity market. Despite weak dry cargo freight rates in 2Q23, we believe PSL did better than the market expected. We expect PSL's 2Q23 average freight rate to tick up slightly 12% q-q to USD11,205, despite falling 53% y-y. With 38 vessels in operation (unchanged) and efficient cost control, we expect THB1.3b in service revenue (+15% q-q, -50% y-y) and THB641m in EBITDA (+30% q-q, -69% y-y) in 2Q23. The 88% y-y plunge in 2Q23E core profit would mark four consecutive weak quarters amid the ocean freight rate correction.

Pace of recovery delayed

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. We forecast PSL's average freight rate at USD10,613 in 1H23, which is near the pre-Covid level of USD9,622 in 2019. The projected THB260m core profit in 1H23 represents a 91% plunge y-y and is worse than our earlier estimates. Dry bulk freight rates should improve in 2H23 due to the seasonal effect, but they may still fall far short of our full-year projection.

Projections slashed

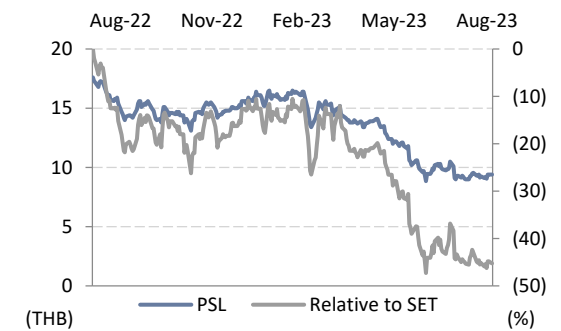
We cut our core profit forecasts again by 42%/29%/18% for 2023-25, based on daily shipping freight rates of USD12,129 (-39% y-y), USD14,006 (+15% y-y), and USD15,291 (+9% y-y) in 2023-25, down from our previous forecasts by 13%/10%/8%. Although its daily operating cost target per ship is higher than that of last year's by 12% or USD5,500, we assume USD5,026 per ship, or 4% better than PSL's guidance. An increase in LIBOR/SOFR rates should result in a higher interest expense.

TP cut, downgrade to HOLD

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 target P/E of 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.

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



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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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.

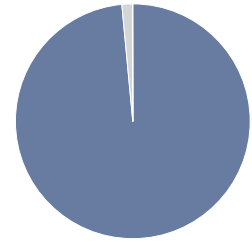
Company profile

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

Principal activities (revenue, 2022)

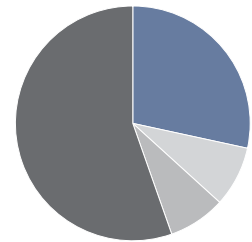
- Time charter - 98.5 %
- Voyage charter - 1.4 %
- Service revenue - 0.0 %



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.

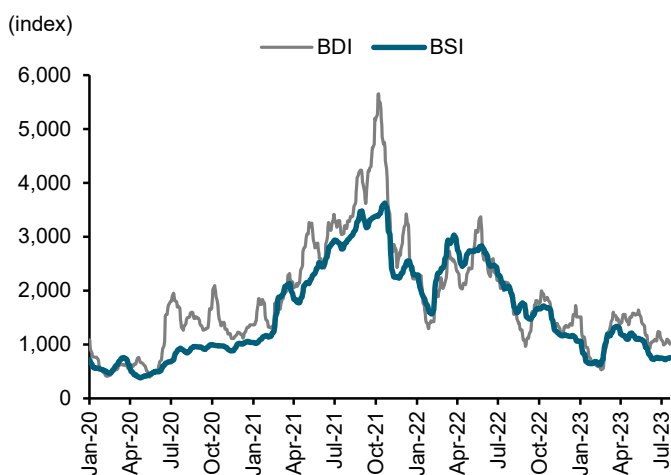
Source: FSSIA estimates

Exhibit 27: 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)
Reported net profit	1,660	1,348	605	79	206	160.7	(87.6)	4,851	1,278	(73.7)
Core profit	1,639	1,301	605	54	206	278.6	(87.5)	4,850	1,278	(73.7)
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)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
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
Operating statistics	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
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)

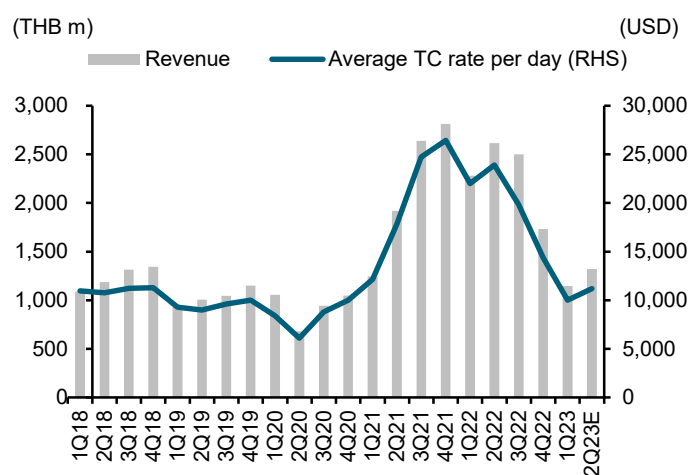
Sources: PSL, FSSIA estimates

Exhibit 28: BDI and BSI indices



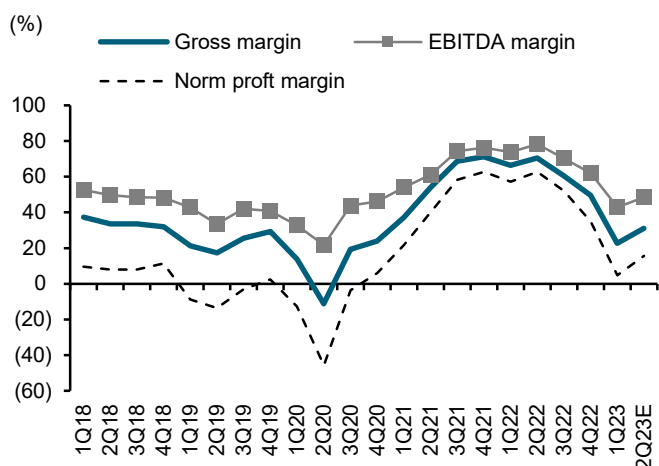
Source: Bloomberg

Exhibit 29: PSL's freight rates and revenue



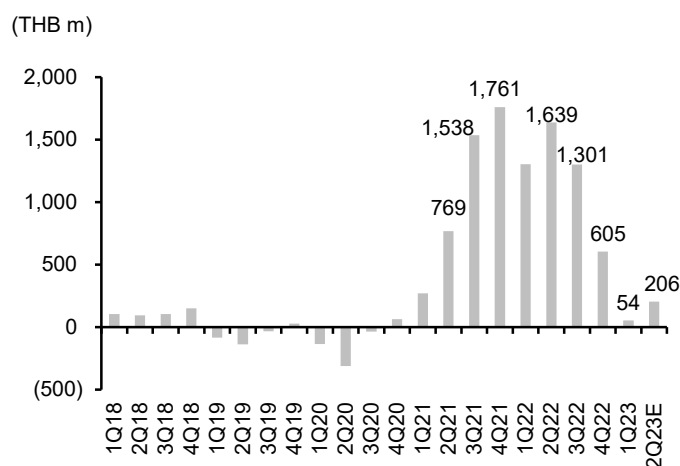
Sources: PSL, Bloomberg, FSSIA estimates

Exhibit 30: Margins



Sources: PSL, FSSIA estimates

Exhibit 31: 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.

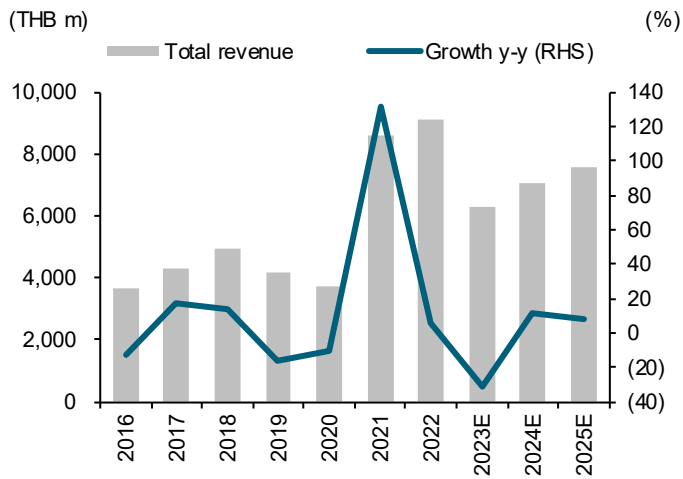
Although the company targets a daily operating cost per ship that is 12% higher than last year at USD5,500, we assume USD5,026 per ship, or 4% better than its guidance. An increase in LIBOR/SOFR rates should result in a higher interest expense. We now expect a 74% y-y contraction in core profit in 2023, 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 32: Changes in key assumptions

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
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)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
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)
Growth	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
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

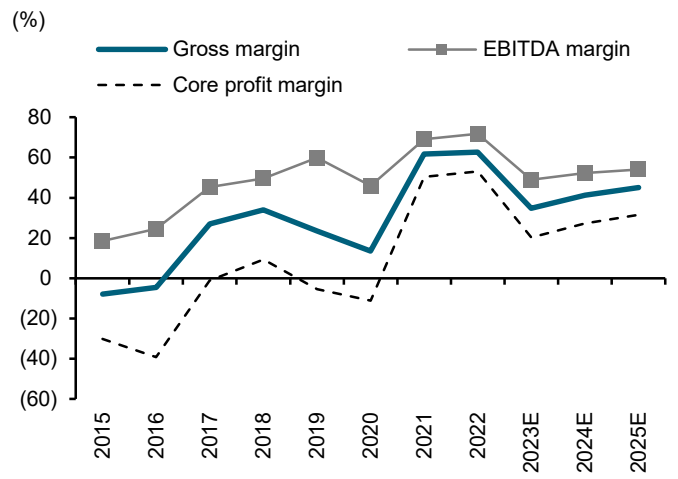
Sources: PSL, FSSIA estimates

Exhibit 33: Revenue and growth



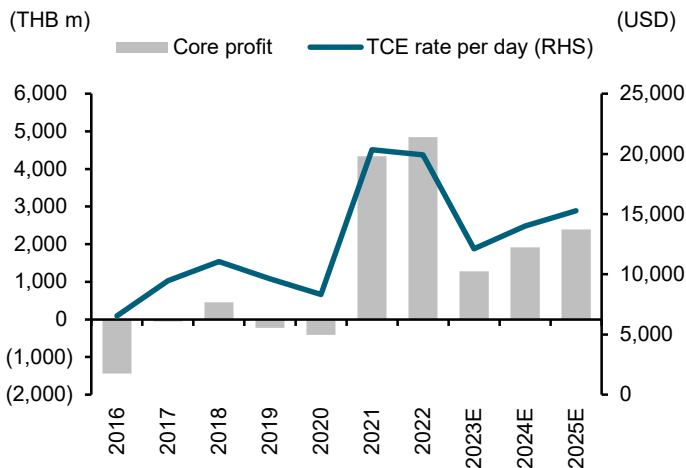
Sources: PSL, FSSIA estimates

Exhibit 34: Margins



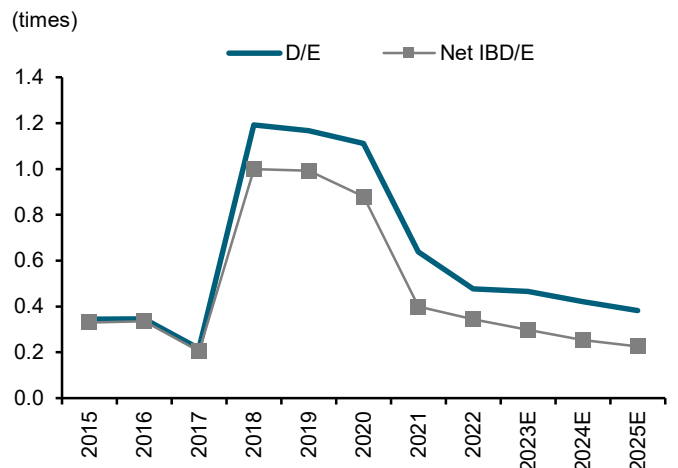
Sources: PSL, FSSIA estimates

Exhibit 35: Core profit and freight rate



Sources: PSL, FSSIA estimates

Exhibit 36: 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)
Gross profit	5,311	5,728	2,201	2,909	3,417
Other operating income	3	17	12	13	14
Operating costs	(581)	(517)	(545)	(577)	(608)
Operating EBITDA	5,947	6,553	3,016	3,674	4,132
Depreciation	(1,214)	(1,324)	(1,347)	(1,328)	(1,308)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	4,734	5,229	1,669	2,346	2,824
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
Profit before tax	4,477	4,866	1,278	1,974	2,462
Tax	(2)	(15)	0	(59)	(74)
Profit after tax	4,475	4,851	1,278	1,915	2,388
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,475	4,851	1,278	1,915	2,388
Non-recurring items & goodwill (net)	(136)	0	0	0	0
Recurring net profit	4,339	4,850	1,278	1,915	2,388
Per share (THB)					
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
Growth					
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
Operating performance					
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					
Revenue by Division (THB m)					
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)
Cash flow from operations	2,973	6,604	3,346	2,680	3,098
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)
Cash flow from investing	456	(2,416)	(1,072)	(1,343)	(1,532)
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
Cash flow from financing	(2,478)	(5,705)	(1,937)	(1,129)	(1,194)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	417	104	74	0	0
Net other adjustments	417	104	74	0	(386)
Movement in cash	1,368	(1,413)	411	209	(14)
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

Per share (THB)

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

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
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)
Tangible fixed assets (net)	20,285	22,048	21,627	21,599	21,841
Intangible fixed assets (net)	21	16	15	15	15
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
Current assets	2,810	1,557	2,056	2,367	2,361
Other assets	324	602	654	697	729
Total assets	23,531	24,304	24,453	24,779	25,047
Common equity	14,365	16,463	16,684	17,433	18,127
Minorities etc.	0	0	0	0	0
Total shareholders' equity	14,365	16,463	16,684	17,433	18,127
Long term debt	6,824	5,556	5,251	5,003	4,775
Other long-term liabilities	425	417	442	387	416
Long-term liabilities	7,249	5,974	5,693	5,390	5,191
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
Current liabilities	1,917	1,867	2,076	1,955	1,728
Total liabilities and shareholders' equity	23,531	24,304	24,453	24,779	25,047
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

Per share (THB)

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

Financial strength

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

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	3.4	3.0	11.5	7.7	6.1
Recurring P/E @ target price (x) *	3.7	3.3	12.6	8.4	6.7
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

THORESEN THAI AGENCIES

THAILAND / TRANSPORT & LOGISTIC

TTA TB

HOLD

FROM BUY

TARGET PRICE	THB7.00
CLOSE	THB6.35
UP/DOWNSIDE	+10.2%
PRIOR TP	THB9.00
CHANGE IN TP	-22.2%
TP vs CONSENSUS	-20.9%

Expect weak recovery in 2Q23

- TTA's operation should turn profitable in 2Q23 due to the resumption of two vessels, but still be down 81% y-y.
- Subdued recovery in China pressuring bulk carrier market. We cut our profit forecasts by 42%/24%/7% for 2023-25.
- TP cut to THB7 from THB9; downgrade to HOLD.

Slower recovery than earlier estimated in 2Q23

After posting an operating loss of THB7m in 1Q23, we expect TTA's operation to turn profitable in 2Q23 at THB314m, down 81% from a year earlier. Two subsea-IMR (Inspection, Maintenance, and Repair) vessels have resumed operations after planned maintenance in 1Q23. The offshore vessels were scheduled to deliver a USD63m backlog in 2Q23. Therefore, we expect revenue from the offshore service segment to reach THB2.1b, an increase of 41% q-q and 10% y-y, making it the largest contributor for the quarter.

Shipping and fertiliser businesses are the drags in 2Q23

China's subdued recovery and weak commodity demand is weighing on the bulk carrier market. We project Thoresen's dry bulk freight rate to fall a further 6% q-q and 58% y-y to USD12,878 per day in 2Q23, the lowest in nine quarters. Despite the planting season in 2Q23, its agrochemical unit (8% of total revenue) should witness another challenging quarter due to sluggish domestic demand which has led to falling fertiliser prices and sales volumes.

Weaker-than-expected demand prompts earnings cut

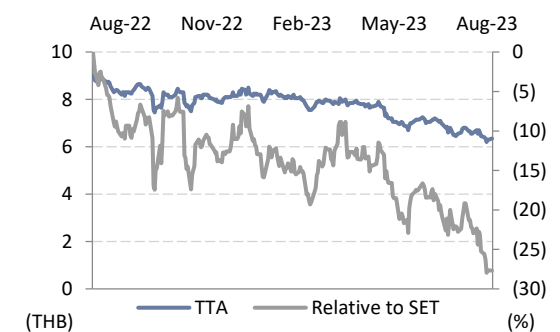
TTA's projected THB307m core profit in 1H23 looks weaker than our earlier expectation. Therefore, we slash our core profit forecasts by 42%/24%/7% for 2023-25 to reflect China's sluggish economic recovery and the weaker-than-expected global demand for commodities. Our new projections are based on 2023-25 daily shipping freight rates of USD13,900 (-44% y-y), USD15,985 (+15% y-y), and USD17,584 (+10% y-y), down from our previous forecasts by 12%/16%/10% respectively.

TP cut; downgrade to HOLD

We now expect a 65% y-y drop in core profit in 2023, deeper than our earlier estimates, before recovering by 32% y-y and 14% y-y in 2024-25. Offshore services should be the key driver for 2023, while shipping and agrochemicals would be the drags. We cut TTA's TP to THB7 from THB9 but revise our 2023 target P/E to 8x from 6x, as we believe the bottom has passed. Our new TP offers only a 10% upside from the current share price as there is no short-term catalyst. Downgrade to HOLD from Buy.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	29,321	20,614	20,299	21,513
Net profit	4,459	1,561	2,060	2,356
EPS (THB)	2.45	0.86	1.13	1.29
vs Consensus (%)	-	(25.5)	46.8	(7.2)
EBITDA	5,475	4,311	4,884	5,252
Recurring net profit	3,269	1,561	2,060	2,356
Core EPS (THB)	1.79	0.86	1.13	1.29
Chg. In EPS est. (%)	-	(41.5)	(23.6)	(6.7)
EPS growth (%)	(6.4)	(52.2)	31.9	14.4
Core P/E (x)	3.5	7.4	5.6	4.9
Dividend yield (%)	3.5	1.6	2.1	2.4
EV/EBITDA (x)	2.9	3.8	2.8	2.4
Price/book (x)	0.5	0.5	0.4	0.4
Net debt/Equity (%)	4.3	5.1	(4.0)	(7.2)
ROE (%)	14.3	6.2	7.8	8.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.1)	(11.8)	(27.8)
Relative to country (%)	(6.4)	(13.3)	(26.1)
Mkt cap (USD m)	338		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	69		
Major shareholder	Mahagitsiri Family (24%)		
12m high/low (THB)	9.10/6.20		
Issued shares (m)	1,822.46		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

After posting an operating loss in 1Q23, we expect TTA's operation to turn profitable in 2Q23 mainly due to the resumption of two offshore vessels after maintenance in 1Q23. The shipping unit, its main business, still faces pressure from the weaker-than-expected demand for commodities and the delayed recovery of China's economy.

Although we believe TTA's earnings have bottomed, we also think its recovery is highly likely postponed. We revise down our projections and cut our 2023 TP to THB7 from THB9. While the higher target P/E reflects that the worst has passed, the share price upside is not large enough and there is no short-term catalyst. Therefore, we revise down our rating to HOLD from Buy.

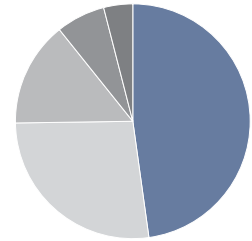
Company profile

Thoresen Thai Agencies (TTA) is a strategic investment holding company with an investment policy of achieving growth through a balanced portfolio that is diversified both locally and internationally. Its current business portfolio includes shipping, offshore service, agrochemical, food & beverage, and investment group segments.

www.thoresen.com

Principal activities (revenue, 2022)

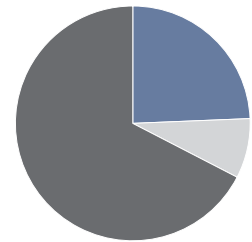
- Shipping revenue - 47.8 %
- Offshore service - 27.0 %
- Agrochemical - 14.5 %
- Food & Beverage - 6.8 %
- Investment & others - 4.0 %



Source: Thoresen Thai Agencies

Major shareholders

- Mahagitsiri Family - 24.4 %
- Credit Suisse AG, Singapore Branch - 8.2 %
- Others - 67.4 %



Source: Thoresen Thai Agencies

Catalysts

Key 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 creates opportunities for TTA's offshore service segment.

Risks to our call

Downside risks to our P/E-based TP include 1) a fall in freight rates (TCE); 2) exchange rate volatility; 3) slow economic growth in China; and 4) regulatory risks, including new EEXI and CII requirements, effective 1 January 2023. Upside risks include 1) China's stimulus to revive the economy; 2) the end of the Russia-Ukraine war, or the end of sanctions; and 3) improved fertiliser supply conditions.

Event calendar

Date	Event
10 August 2023	2Q23 results announcement
15 August 2023	2Q23 Analyst meeting
16 August 2023	Opportunity day

Key assumptions

	2023E	2024E	2025E
TCE rate (USD/day)	13,900	15,985	17,584
TCE rate growth (%)	(43.9)	15.0	10.0
Gross margin by BU (%)			
Shipping revenue	39	35	36
Offshore revenue	8	7	8
Agrochemical revenue	13	12	13
Food & Beverage	38	38	38

Source: FSSIA estimates

Earnings sensitivity

- For every 1% change in its TCE rate, we project TTA's 2023 net profit to change by 0.8%, all else being equal.
- For every 1% change in shipping gross margin, we project TTA's 2023 net profit to change by 3.8%, all else being equal.

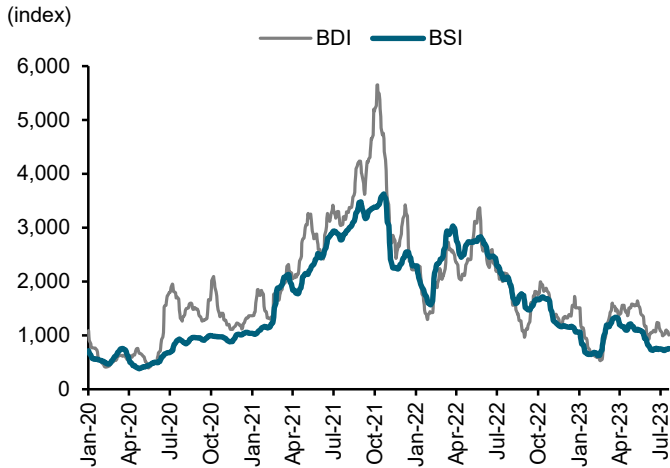
Source: FSSIA estimates

Exhibit 37: 2Q23 earnings preview

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23E	-----Change-----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	8,092	8,073	7,122	4,766	5,345	12	(34)	14,126	10,111	(28)
Cost of sales	(5,763)	(6,072)	(5,466)	(4,036)	(4,240)	5	(26)	(10,348)	(8,276)	(20)
Gross profit	2,329	2,000	1,655	730	1,105	51	(53)	3,778	1,835	(51)
Operating costs	(1,330)	(797)	(1,322)	(580)	(671)	16	(50)	(1,957)	(1,251)	(36)
Operating profit	3,658	2,798	2,977	1,310	1,776	36	(51)	1,985	807	(59)
Operating EBITDA	1,521	2,223	474	787	1,029	31	(32)	2,763	1,816	(34)
Other income	126	484	(380)	129	95	(26)	(25)	164	224	36
Interest expense	109	144	152	180	180	(0)	65	(214)	(360)	68
Profit before tax	1,016	1,543	(199)	98	349	257	(66)	1,771	447	(75)
Net profit	1,035	1,449	(194)	215	314	46	(70)	2,015	529	(74)
Core profit	1,672	1,449	358	(7)	314	nm	(81)	2,653	307	(88)
Reported EPS (THB)	0.57	0.79	(0.11)	0.12	0.17	44	(70)	1.11	0.29	(74)
Core EPS (THB)	0.92	0.79	0.20	(0.00)	0.17	nm	(81)	1.46	0.17	(88)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	28.8	24.8	23.2	15.3	20.7	5.4	(8.1)	26.7	18.1	(8.6)
Operating margin	13.9	20.9	(0.7)	5.8	9.9	4.1	(4.0)	14.1	8.0	(6.1)
EBITDA margin	18.8	27.5	6.7	16.5	19.3	2.7	0.5	19.6	18.0	(1.6)
Core profit margin	20.7	17.9	5.0	(0.2)	5.9	6.0	(14.8)	18.8	3.0	(15.7)
SG&A / Sales	16.4	9.9	18.6	12.2	12.6	0.4	(3.9)	(13.9)	(12.4)	1.5
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Shipping	4,377	3,481	2,995	2,077	2,036	(2)	(53)	7,541	4,113	(45)
Offshore business	1,889	2,396	2,285	1,479	2,079	41	10	3,224	3,558	10
Agrochemical	1,013	1,420	1,088	412	432	5	(57)	1,738	844	(51)
Food and beverage	522	460	482	503	508	1	(3)	1,038	1,011	(3)
Investment	292	316	272	295	290	(2)	(1)	584	585	0
Gross margin by business	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Shipping	43.8	42.3	39.0	30.5	30.5	(0.0)	(13.3)	44.3	30.5	(13.8)
Offshore business	15.3	19.9	20.7	11.6	8.5	(3.1)	(6.8)	6.6	10.4	3.8
Agrochemical	13.7	14.0	14.5	7.4	8.2	0.8	(5.5)	13.0	7.4	(5.7)
Food and beverage	38.2	37.6	38.6	37.0	37.0	0.0	(1.2)	38.9	37.0	(1.9)
Investment	23.8	22.2	21.8	24.5	23.0	(1.5)	(0.8)	25.8	23.7	(2.0)
Core profit to TTA	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Shipping	1,763	1,214	920	421	454	8	(74)	3,060	875	(71)
Offshore business	46	62	53	(96)	48	nm	nm	(108)	(48)	nm
Agrochemical	11	28	13	(27)	(19)	nm	nm	12	(46)	nm
Food and beverage	(16)	(24)	(35)	(26)	6	nm	nm	(27)	(20)	nm
Investment	(131)	169	(593)	(280)	(175)	nm	nm	(285)	(455)	nm

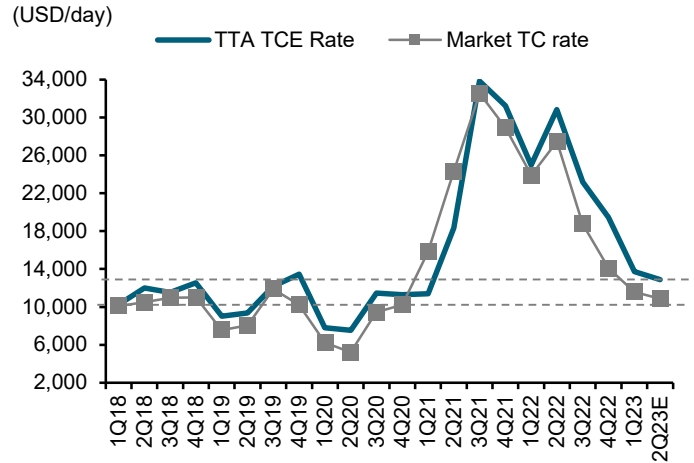
Sources: TTA, FSSIA estimates

Exhibit 38: BDI and BSI indices



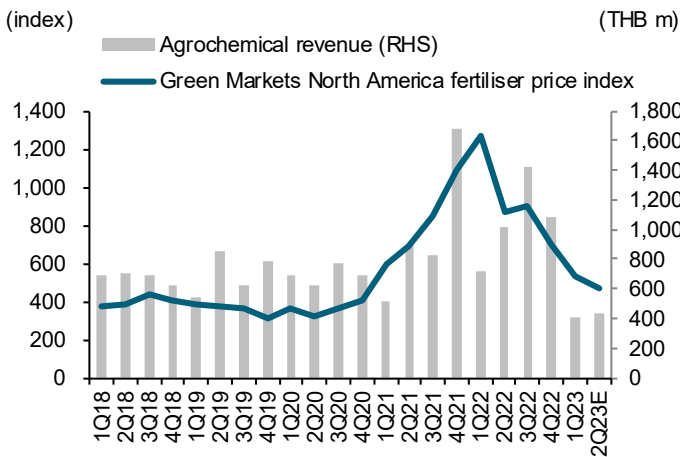
Sources: Bloomberg

Exhibit 39: Market dry bulk freight rate and Thoresen's rate



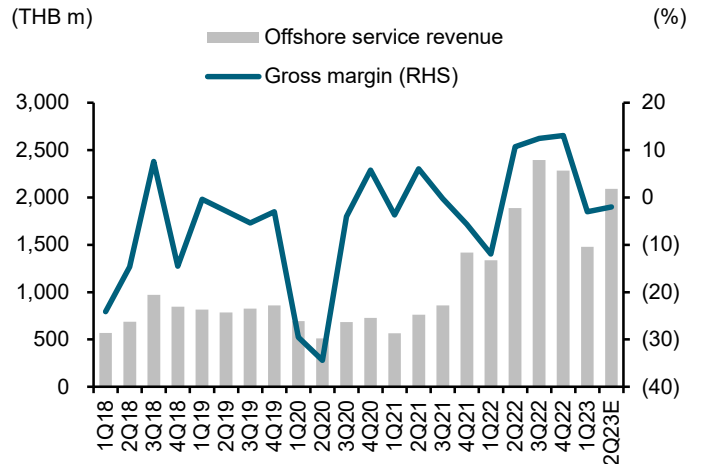
Sources: TTA, Bloomberg, FSSIA estimates

Exhibit 40: Fertiliser price index and agrochemical sales



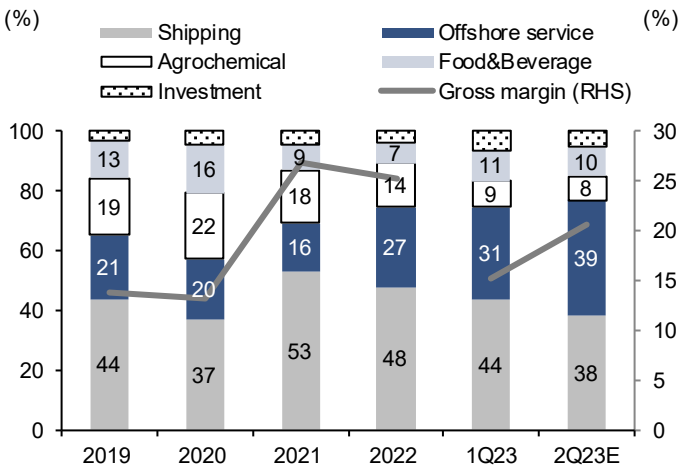
Sources: TTA, Bloomberg, FSSIA estimates

Exhibit 41: Offshore service segment revenue and GPM



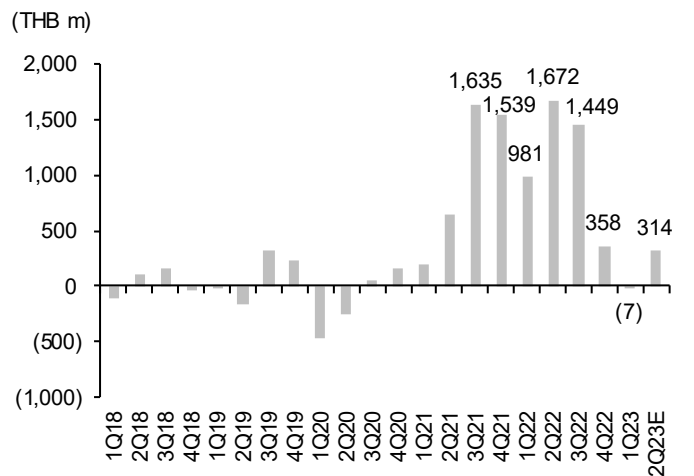
Sources: TTA, FSSIA estimates

Exhibit 42: Revenue breakdown



Sources: TTA, FSSIA estimates

Exhibit 43: Core profit



Sources: TTA, FSSIA estimates

Earnings projection and TP cuts

We slash our core profit forecasts by 42%/24%/7% for 2023-25 to reflect China's sluggish economic recovery and the weaker-than-expected global demand for commodities. Our new projections are based on daily shipping freight rates of USD13,900 (-44% y-y), USD15,985 (+15% y-y), and USD17,584 (+10% y-y) in 2023-25, down from our previous forecasts by 12%/16%/10%, respectively.

For the offshore service business, we assume the company will recognise 70% of the current backlog of USD320m in 2023. The balance would be fully recognised in 2024 plus a new backlog for which we assume a value of USD60m. We also expect the offshore unit to earn USD100m in revenue a year from 2025 onwards, close to its historical trends.

TTA's fertiliser business in Vietnam faces headwinds in 2023 due to the revival of supply from China, supply disruptions due to sanctions, and intensified competition in the domestic market. We cut the 2023E revenue from its agrochemical unit by 42% resulting in a 59% plunge y-y before returning to moderate growth from 2024 onwards.

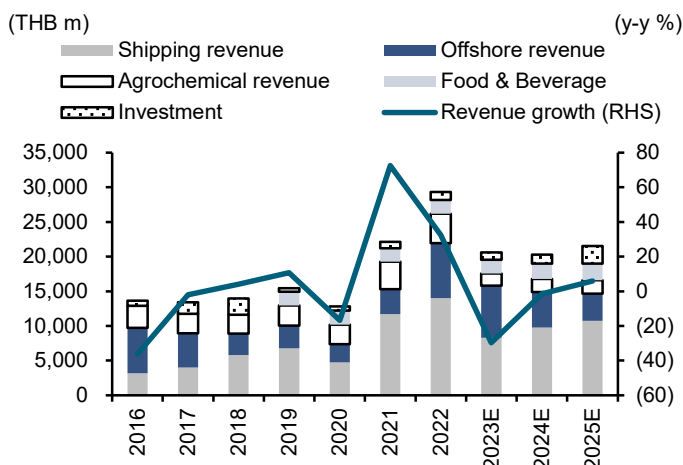
We now expect a 65% y-y drop in core profit in 2023, deeper than our earlier estimates, before recovering by 32% y-y and 14% y-y in 2024-25. Offshore services should be the key driver for 2023, while the shipping and agrochemical businesses would be the drags. We cut TTA's TP to THB7 from THB9 but revise our 2023 target P/E to 8x from 6x as the bottom has passed, in our view. Our TP offers only a 10% upside from the current share price as there is no short-term catalyst. Therefore, we lower our rating to HOLD from Buy.

Exhibit 44: Changes in key assumptions

Unit		Current			Previous			Change (%)		
		2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
TCE rate	(USD/day)	13,900	15,985	17,584	15,843	19,007	19,500	(12.3)	(15.9)	(9.8)
Shipping	(THB m)	8,265	9,694	10,664	10,173	10,214	10,374	(18.8)	(5.1)	2.8
Offshore services	(THB m)	7,504	5,117	3,280	5,100	3,040	2,800	47.1	68.3	17.1
Agrochemical	(THB m)	1,741	1,898	1,936	2,984	3,267	3,258	(41.7)	(41.9)	(40.6)
Food & Beverage	(THB m)	1,133	1,383	3,250	1,376	1,589	2,580	(17.6)	(13.0)	26.0
Total revenue	(THB m)	20,614	20,299	21,513	22,550	20,763	20,686	(8.6)	(2.2)	4.0
Gross margin	(%)	21.4	24.6	25.0	34.6	36.8	37.3	(13.2)	(12.2)	(12.3)
SG&A to sales	(%)	12.6	13.5	13.2	14.0	14.3	14.0	(1.4)	(0.8)	(0.8)
EBITDA margin	(%)	20.9	24.1	24.4	22.0	23.9	26.2	(1.1)	0.2	(1.7)
Core profit	(THB m)	1,561	2,060	2,356	2,670	2,696	2,525	(41.5)	(23.6)	(6.7)

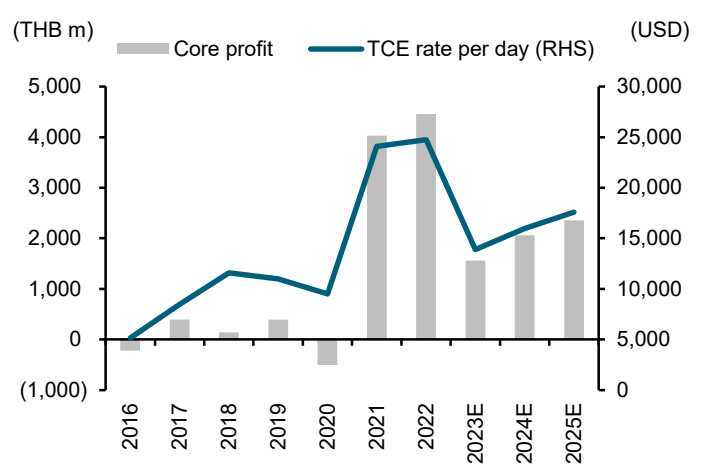
Sources: TTA, FSSIA estimates

Exhibit 45: Revenue growth



Sources: TTA, FSSIA estimates

Exhibit 46: TTA's freight rate and core profit



Sources: TTA, FSSIA estimates

Financial Statements

Thoresen Thai Agencies

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	22,128	29,321	20,614	20,299	21,513
Cost of goods sold	(16,169)	(21,887)	(16,207)	(15,309)	(16,143)
Gross profit	5,960	7,433	4,407	4,990	5,369
Other operating income	186	268	268	264	258
Operating costs	(2,365)	(4,076)	(2,597)	(2,740)	(2,840)
Operating EBITDA	5,313	5,475	4,311	4,884	5,252
Depreciation	(1,532)	(1,850)	(2,232)	(2,370)	(2,465)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,781	3,626	2,078	2,514	2,788
Net financing costs	(416)	(511)	(712)	(656)	(622)
Associates	80	168	84	92	97
Recurring non-operating income	80	168	84	92	97
Non-recurring items	171	1,190	0	0	0
Profit before tax	3,617	4,473	1,450	1,950	2,263
Tax	(126)	(22)	(16)	(8)	(17)
Profit after tax	3,490	4,451	1,434	1,942	2,245
Minority interests	173	8	127	118	111
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,663	4,459	1,561	2,060	2,356
Non-recurring items & goodwill (net)	(171)	(1,190)	0	0	0
Recurring net profit	3,492	3,269	1,561	2,060	2,356
Per share (THB)					
Recurring EPS *	1.92	1.79	0.86	1.13	1.29
Reported EPS	2.01	2.45	0.86	1.13	1.29
DPS	0.22	0.22	0.10	0.14	0.16
Diluted shares (used to calculate per share data)	1,822	1,822	1,822	1,822	1,822
Growth					
Revenue (%)	72.5	32.5	(29.7)	(1.5)	6.0
Operating EBITDA (%)	681.0	3.1	(21.3)	13.3	7.5
Operating EBIT (%)	nm	(4.1)	(42.7)	21.0	10.9
Recurring EPS (%)	nm	(6.4)	(52.2)	31.9	14.4
Reported EPS (%)	nm	21.7	(65.0)	31.9	14.4
Operating performance					
Gross margin inc. depreciation (%)	26.9	25.4	21.4	24.6	25.0
Gross margin exc. depreciation (%)	33.9	31.7	32.2	36.3	36.4
Operating EBITDA margin (%)	24.0	18.7	20.9	24.1	24.4
Operating EBIT margin (%)	17.1	12.4	10.1	12.4	13.0
Net margin (%)	15.8	11.1	7.6	10.1	11.0
Effective tax rate (%)	3.5	0.5	1.1	0.4	0.8
Dividend payout on recurring profit (%)	11.5	12.3	12.0	12.0	12.0
Interest cover (X)	9.3	7.4	3.0	4.0	4.6
Inventory days	29.9	29.5	49.2	56.3	70.7
Debtor days	53.6	53.7	77.0	80.1	85.7
Creditor days	33.0	34.3	47.7	42.0	38.5
Operating ROIC (%)	16.9	15.1	8.2	9.7	10.7
ROIC (%)	12.0	10.8	5.8	6.9	7.6
ROE (%)	18.7	14.3	6.2	7.8	8.3
ROA (%)	10.4	9.1	4.7	5.6	6.2
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Shipping revenue	11,719	14,017	8,265	9,694	10,664
Offshore service	3,605	7,906	7,504	5,117	3,280
Agrochemical	3,933	4,246	1,741	1,898	1,936
Food & Beverage	1,935	1,980	1,971	2,207	2,384

Sources: Thoresen Thai Agencies; FSSIA estimates

Financial Statements

Thoresen Thai Agencies

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,492	3,269	1,561	2,060	2,356
Depreciation	1,532	1,850	2,232	2,370	2,465
Associates & minorities	(173)	(8)	(127)	(118)	(111)
Other non-cash items	555	3,093	2,265	575	750
Change in working capital	(480)	(682)	(536)	(297)	(2,524)
Cash flow from operations	4,926	7,522	5,395	4,590	2,936
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,825)	(1,320)	(2,859)	(1,300)	(1,000)
Net acquisitions & disposals	33	5	(370)	0	0
Other investments (net)	169	(1,947)	(2,269)	(334)	(529)
Cash flow from investing	(1,623)	(3,263)	(5,498)	(1,634)	(1,529)
Dividends paid	(59)	(401)	(187)	(247)	(283)
Equity finance	0	0	0	0	0
Debt finance	601	(2,593)	2,521	(2,047)	(1,196)
Other financing cash flows	(388)	(487)	0	1	2
Cash flow from financing	154	(3,481)	2,334	(2,293)	(1,477)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	339	0	0	0	0
Net other adjustments	339	(621)	0	0	0
Movement in cash	3,796	157	2,231	663	(70)
Free cash flow to firm (FCFF)	3,719.19	4,769.80	608.55	3,613.22	2,029.99
Free cash flow to equity (FCFE)	3,855.15	557.67	2,418.24	910.55	212.90
Per share (THB)					
FCFF per share	2.04	2.62	0.33	1.98	1.11
FCFE per share	2.12	0.31	1.33	0.50	0.12
Recurring cash flow per share	2.97	4.50	3.25	2.68	3.00
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	38,612	40,518	43,377	44,677	45,677
Less: Accumulated depreciation	(23,317)	(25,167)	(27,399)	(29,770)	(32,234)
Tangible fixed assets (net)	15,295	15,351	15,978	14,907	13,443
Intangible fixed assets (net)	1,036	4,309	3,623	3,471	3,513
Long-term financial assets	3,209	1,630	2,000	2,000	2,000
Invest. in associates & subsidiaries	3,376	2,888	2,888	2,888	2,888
Cash & equivalents	8,274	8,430	10,661	11,325	11,255
A/C receivable	4,340	4,288	4,405	4,505	5,599
Inventories	1,431	1,805	1,959	2,031	3,267
Other current assets	1,508	1,870	1,910	1,904	2,144
Current assets	15,553	16,393	18,936	19,764	22,265
Other assets	478	1,022	1,016	1,011	1,007
Total assets	38,947	41,593	44,440	44,041	45,115
Common equity	21,266	24,534	25,579	27,341	29,365
Minorities etc.	3,135	3,192	3,256	3,321	3,387
Total shareholders' equity	24,400	27,726	28,834	30,662	32,752
Long term debt	7,634	5,090	8,187	6,956	5,495
Other long-term liabilities	294	324	309	304	323
Long-term liabilities	7,928	5,413	8,496	7,260	5,818
A/C payable	1,889	2,311	1,732	1,594	1,636
Short term debt	3,071	4,523	3,957	3,141	3,405
Other current liabilities	1,658	1,618	1,421	1,384	1,504
Current liabilities	6,619	8,453	7,110	6,119	6,545
Total liabilities and shareholders' equity	38,947	41,593	44,440	44,041	45,115
Net working capital	3,731	4,033	5,122	5,462	7,870
Invested capital	27,126	29,233	30,626	29,739	30,720
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	11.67	13.46	14.04	15.00	16.11
Tangible book value per share	11.10	11.10	12.05	13.10	14.18
Financial strength					
Net debt/equity (%)	10.0	4.3	5.1	(4.0)	(7.2)
Net debt/total assets (%)	6.2	2.8	3.3	(2.8)	(5.2)
Current ratio (x)	2.3	1.9	2.7	3.2	3.4
CF interest cover (x)	14.7	4.7	8.4	4.4	3.0
Valuation					
Recurring P/E (x) *	3.3	3.5	7.4	5.6	4.9
Recurring P/E @ target price (x) *	3.7	3.9	8.2	6.2	5.4
Reported P/E (x)	3.2	2.6	7.4	5.6	4.9
Dividend yield (%)	3.5	3.5	1.6	2.1	2.4
Price/book (x)	0.5	0.5	0.5	0.4	0.4
Price/tangible book (x)	0.6	0.6	0.5	0.5	0.4
EV/EBITDA (x) **	3.2	2.9	3.8	2.8	2.4
EV/EBITDA @ target price (x) **	3.4	3.1	4.1	3.0	2.6
EV/invested capital (x)	0.6	0.5	0.5	0.5	0.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thoresen Thai Agencies; 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).

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) 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 **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 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

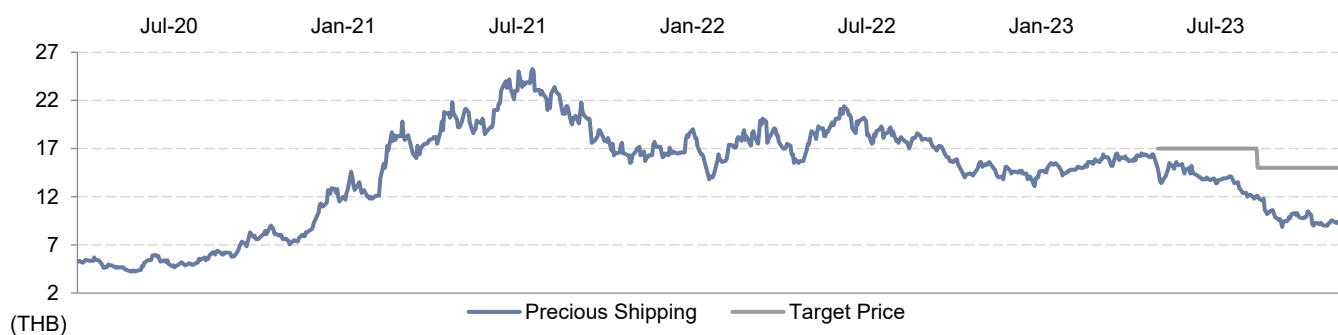
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

Precious Shipping (PSL TB)



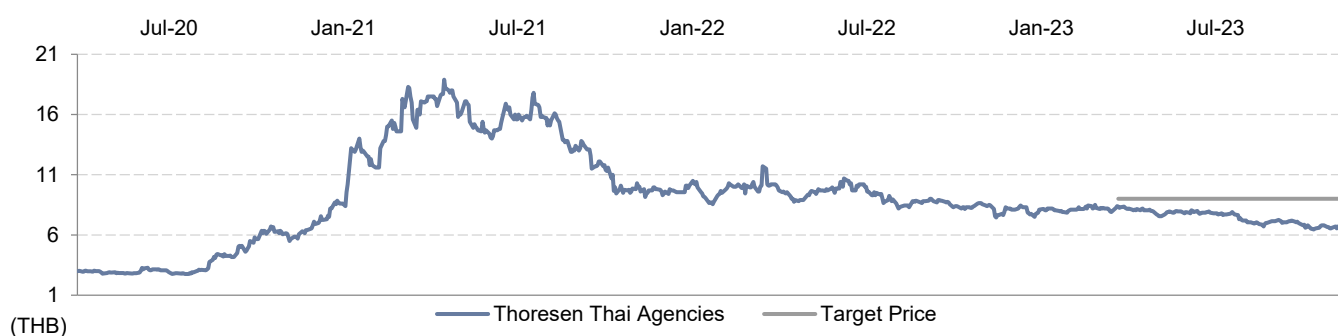
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Feb-2023	HOLD	17.00	10-May-2023	BUY	15.00	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

Thoresen Thai Agencies (TTA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Jan-2023	HOLD	9.00	10-May-2023	BUY	9.00	-	-	-

Jitra Amornthum started covering this stock from 10-Jan-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.
Thoresen Thai Agencies	TTA TB	THB 6.35	HOLD	Downside risks to our P/E-based TP include 1) a fall in freight rates (TCE); 2) exchange rate volatility; 3) slow economic growth in China; 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; 2) end of the Russia-Ukraine war or the end of sanctions; and 3) fertiliser supply conditions improve.

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 (target price* - current price) / 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.