Precious Shipping Pcl (PSL TB) - BUY, Price Bt14.60, TP Bt24.00

Results Comment

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Stronger-than-expected 3Q22 results

- PSL's norm earnings came in at Bt1.3bn, fell 15% y-y and 21% q-q. That said, earnings were stronger than expected as PSL having taken expensive routes while weak baht also helped.
- The freight rate was US$19,840, fell 20% y-y and 17% q-q due mainly to the China lockdown (China at 50% global dry bulk demand) while the global slowdown also impacted.
- Freight rate beat our expectation by 10% which we suspect it was due to PSL having been able to take expensive routes.
- PSL's freight rate so far fell to US$16,000. We believe this was due to a continued lockdown in China, including the weaker global trading sentiment amid fears of global economy slowdown and rising interest rate.
- That said, we maintain BUY on PSL, expecting for the freight rate turnaround. The eventually opening of China economy and the structurally weak new supply are key drivers

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Revenue	2,639	2,812	2,281	2,616	2,500
Gross profit	**1,812**	**2,001**	**1,514**	**1,842**	**1,513**
SG&A	169	162	142	116	118
Operating profit	1,643	1,840	1,372	1,725	1,395
EBITDA	**1,960**	**2,151**	**1,669**	**2,044**	**1,752**
Other income	0	2	2	2	2
Other expense	0	0	0	0	0
Interest expense	112	78	82	95	107
Profit before tax	**1,532**	**1,763**	**1,292**	**1,632**	**1,291**
Income tax	0	2	0	0	0
Equity & invest. income	7	8	2	7	10
Minority interests	0	(0)	(0)	0	(0)
Extraordinary items	(37)	2	(0)	21	47
Net profit	**1,501**	**1,772**	**1,294**	**1,660**	**1,348**
Normalized profit	**1,538**	**1,770**	**1,294**	**1,639**	**1,301**
EPS (Bt)	0.96	1.14	0.83	1.06	0.86
Normalized EPS (Bt)	0.99	1.14	0.83	1.05	0.83

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(4)	(5)	83	8,927	8,832
Gross profit	**(18)**	**(16)**	**87**	**5,619**	**5,528**
SG&A	2	(30)	58	648	628
Operating profit	(19)	(15)	90	4,971	4,900
EBITDA	**(14)**	**(11)**	**87**	**6,254**	**6,214**
Other income	18	2,639	129	5	5
Other expense					
Interest expense	12	(5)	58	490	370
Profit before tax	**(21)**	**(16)**	**94**	**4,486**	**4,535**
Income tax			na	2	2
Equity & invest. income	54	56	187	10	10
Minority interests			123	(0)	(0)
Extraordinary items	127	na	na	0	0
Net profit	**(19)**	**(10)**	**96**	**4,494**	**4,544**
Normalized profit	**(21)**	**(15)**	**94**	**4,494**	**4,544**
EPS (Bt)	(19)	(10)	96	2.88	2.91
Normalized EPS (Bt)	(21)	(15)	94	2.88	2.91

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Cash & ST investment	2,021	2,468	2,708	1,917	1,481
A/C receivable	133	175	174	255	395
Inventory	0	0	0	0	0
Other current assets	166	166	184	264	319
Investment	84	91	83	82	95
Fixed assets	20,803	20,285	19,966	21,882	24,251
Other assets	231	345	478	644	686
Total assets	**23,439**	**23,531**	**23,593**	**25,043**	**27,227**
S-T debt	1,749	1,409	1,879	1,205	1,245
A/C payable	340	354	356	444	548
Other current liabilities	182	154	177	170	134
L-T debt	7,212	6,809	5,866	6,445	6,603
Other liabilities	378	440	369	405	452
Minority interest	0	0	0	0	0
Shareholders' equity	**13,578**	**14,365**	**14,946**	**16,375**	**18,245**
Working capital	(206)	(179)	(182)	(189)	(153)
Total debt	8,961	8,218	7,745	7,650	7,848
Net debt	**6,940**	**5,750**	**5,037**	**5,733**	**6,367**

Financial Ratios					
(%)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Sales growth	179.4	167.7	83.0	36.4	(5.3)
Operating profit growth	1,438.7	890.0	257.8	97.8	(15.1)
EBITDA growth	375.7	345.4	148.8	74.5	(10.6)
Norm profit growth	na	2,654.8	378.0	113.1	(15.4)
Norm EPS growth	na	2,654.8	378.0	113.1	(15.4)
Gross margin	68.7	71.2	66.4	70.4	60.5
Operating margin	62.3	65.4	60.1	65.9	55.8
EBITDA margin	74.3	76.5	73.2	78.1	70.1
Norm net margin	58.3	62.9	56.7	62.6	52.0
D/E (x)	0.7	0.6	0.5	0.5	0.4
Net D/E (x)	0.5	0.4	0.3	0.4	0.3
Interest coverage (x)	17.6	27.6	20.4	21.6	16.4
Interest rate	5.1	3.6	4.1	4.9	5.5
Effective tax rate	-	0.1	-	-	-
ROA	27.2	30.1	22.0	27.0	19.9
ROE	47.9	50.7	35.3	41.9	30.1

Sources: Company data, Thanachart estimates

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