

Precious Shipping Pcl (PSL TB) - BUY, Price Bt16.40, TP Bt23.00**Results Comment**

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In-line 4Q22 results

- PSL's norm earnings came in at Bt617m, fell 65% y-y and 53% q-q. Weaker earnings were due to a sharp dropped in freight rate and PSL's nature of high operating leverage impact.
- The freight rate was US\$14,343, fell 46% y-y and 27% q-q due mainly to China lockdown (50% of dry bulk demand) and economy softness in other major markets like Europe and US.
- PSL's freight rate beat market rate by 6% which we suspect due to the company having secured contract before the softness in market freight rate.
- That said, PSL's freight rate so far fell sharply to US\$8,300 vs. its accounting breakeven cost of US\$9,400 and cash-breakeven cost of US\$6,500. On top of 1Q is normally the weakest quarter due to the Chinese New Year holidays, the China lockdown and weakness in other markets continued to pressure freight rate.
- However, we expect freight rate to recover afterward. While new ship supply is expected to be low, China reopening is positive for the industry.
- The forward freight rate as of April implies PSL's freight rate increasing to US\$10,800, above the 10-year US\$10,000. 2H is normally a stronger season.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Revenue	2,812	2,281	2,616	2,500	1,731	Revenue	(31)	(38)	98	9,129	8,284
Gross profit	2,001	1,514	1,842	1,513	859	Gross profit	(43)	(57)	98	5,728	4,706
SG&A	162	142	116	118	138	SG&A	17	(14)	76	515	685
Operating profit	1,840	1,372	1,725	1,395	720	Operating profit	(48)	(61)	101	5,213	4,021
EBITDA	2,151	1,669	2,044	1,752	1,073	EBITDA	(39)	(50)	101	6,539	5,335
Other income	2	2	2	2	11	Other income	431	539	360	17	5
Other expense	0	0	0	0	0	Other expense					
Interest expense	78	82	95	107	109	Interest expense	2	40	81	392	378
Profit before tax	1,763	1,292	1,632	1,291	622	Profit before tax	(52)	(65)	103	4,838	3,648
Income tax	2	0	0	0	15	Income tax		812		15	1
Equity & invest. income	8	2	7	10	10	Equity & invest. income	3	27	291	29	10
Minority interests	(0)	(0)	0	(0)	(0)	Minority interests	na	na		(0)	(0)
Extraordinary items	2	(0)	21	47	(68)	Extraordinary items	na	na		(1)	0
Net profit	1,772	1,294	1,660	1,348	549	Net profit	(59)	(69)	103	4,851	3,657
Normalized profit	1,770	1,294	1,639	1,301	617	Normalized profit	(53)	(65)	103	4,852	3,657
EPS (Bt)	1.14	0.83	1.06	0.86	0.35	EPS (Bt)	(59)	(69)	103	3.11	2.35
Normalized EPS (Bt)	1.14	0.83	1.05	0.83	0.40	Normalized EPS (Bt)	(53)	(65)	103	3.11	2.35

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash & ST investment	2,468	2,708	1,917	1,481	1,056	Sales growth	167.7	83.0	36.4	(5.3)	(38.4)
A/C receivable	175	174	255	395	279	Operating profit growth	890.0	257.8	97.8	(15.1)	(60.9)
Inventory	0	0	0	0	0	EBITDA growth	345.4	148.8	74.5	(10.6)	(50.1)
Other current assets	166	184	264	319	223	Norm profit growth	2,654.8	378.0	113.1	(15.4)	(65.1)
Investment	91	83	82	95	95	Norm EPS growth	2,654.8	378.0	113.1	(15.4)	(65.1)
Fixed assets	20,285	19,966	21,882	24,251	22,048	Gross margin	71.2	66.4	70.4	60.5	49.6
Other assets	345	478	644	686	604	Operating margin	65.4	60.1	65.9	55.8	41.6
Total assets	23,531	23,593	25,043	27,227	24,304	EBITDA margin	76.5	73.2	78.1	70.1	62.0
S-T debt	1,409	1,879	1,205	1,245	1,162	Norm net margin	62.9	56.7	62.6	52.0	35.7
A/C payable	354	356	444	548	584	D/E (x)	0.6	0.5	0.5	0.4	0.4
Other current liabilities	154	177	170	134	121	Net D/E (x)	0.4	0.3	0.4	0.3	0.3
L-T debt	6,809	5,866	6,445	6,603	5,547	Interest coverage (x)	27.6	20.4	21.6	16.4	9.8
Other liabilities	440	369	405	452	426	Interest rate	3.6	4.1	4.9	5.5	6.0
Minority interest	0	0	0	0	0	Effective tax rate	0.1	-	-	-	2.5
Shareholders' equity	14,365	14,946	16,375	18,245	16,463	ROA	30.1	22.0	27.0	19.9	9.6
Working capital	(179)	(182)	(189)	(153)	(305)	ROE	50.7	35.3	41.9	30.1	14.2
Total debt	8,218	7,745	7,650	7,848	6,709						
Net debt	5,750	5,037	5,733	6,367	5,653						

Sources: Company data, Thanachart estimates

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