

NEUTRAL

4Q13A: Below estimates on weak sales volume

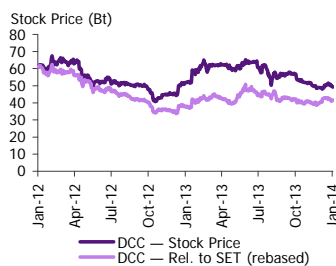
4Q13A below estimates. DCC reported 4Q13 net profit of Bt259mn, -11% YoY and -12% QoQ. This was 15% below SCBS and 10% below consensus on lower-than-expected sales volume caused by weak market demand YoY and seasonality QoQ.

Stock Data

Last close (Jan 29) (Bt)	48.50
12-m target price (Bt)	55.00
Upside (Downside) to TP (%)	13.40
Mkt cap (Btbn)	19.79
Mkt cap (US\$mn)	601

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.18
Sector % SET	5.82
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	66.5 / 48
Avg. daily 6m (US\$m)	0.59
Foreign limit / actual (%)	35 / 19
Free float (%)	45.8
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	-0.5	-10.6	-6.3
Relative to SET	1.6	0.6	9.9

Source: SET, SCBS Investment Research

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4Q13A highlights.

- Revenue slid 8% YoY, on weak demand and the shutdown of kilns for maintenance. This offset the rise in price in mid-February 2013 that raised ASP by Bt5/sqm (+3% YoY). Revenue declined slightly QoQ from seasonality.
- Gross margin improved to 40.5%, +2.0ppts YoY, due to the rise in ASP and a drop in natural gas cost (~30% of production cost).
- SG&A expenses/sales was 21.1%, +3.0ppts YoY. The jump in SG&A (+8% YoY) was due to the rise in minimum wage and the increase in depreciation expense from refurbishment and expansion of outlets.
- DCC announced a 4Q13 DPS of Bt0.63, XD on 11 Mar 2014.

Maintain NEUTRAL, lower PT to Bt55. We switch to more conservative assumptions for sales volume and ASP in the presence of weak market demand and this leads to a 5% cut in our 2014-15F forecasts. We maintain NEUTRAL with a new 12-month PT of Bt55, based on 15x PE (+0.5 S.D. over its 10-year PE). Despite the 25% fall in share price over the past six months, we see no catalysts to drive share price with the earnings downside on weak demand and potential gas cost increase from the depreciation of the baht. We like DCC only for its dividend yield of ~7% p.a. We will update after the Feb 17 analyst meeting.

Financial statement

P & L (Bt mn)	4Q12	1Q13	2Q13	3Q13	4Q13	% Chg YoY	% Chg QoQ	2012	2013	% Chg YoY
Total revenue	1,851	2,203	1,925	1,714	1,704	(7.9)	(0.6)	7,603	7,713	1.5
Gross profit	712	893	806	710	690	(3.1)	(2.9)	2,978	3,042	2.2
Pre-tax profit	374	517	422	371	326	(12.7)	(12.0)	1,648	1,683	2.1
Core profit	290	411	334	295	259	(10.8)	(12.2)	1,265	1,303	3.0
Net Profit	290	411	334	295	259	(10.8)	(12.2)	1,265	1,303	3.0
EPS	0.71	1.01	0.82	0.72	0.63	(10.8)	(12.2)	3.10	3.19	3.0
B/S (Btmn)										
Total assets	4,759	4,740	4,818	4,977	5,138	8.0	3.2	4,361	4,032	(7.5)
Total liabilities	2,057	1,530	1,982	2,181	2,314	12.5	6.1	1,351	1,284	(5.0)
Total equity	2,702	3,162	2,836	2,797	2,824	4.5	1.0	3,009	2,748	(8.7)
BVPS (Bt)	6.6	7.8	7.0	6.9	6.9	4.5	1.0	7.4	6.7	(8.7)
Financial ratio (%)										
Gross margin	38.5	40.5	41.9	41.4	40.5	2.0	(1.0)	39.2	39.4	0.3
Net profit margin	15.7	18.6	17.4	17.2	15.2	(0.5)	(2.0)	16.6	16.9	0.3
SG&A expense/Revenue	18.1	17.0	20.0	19.7	21.1	3.0	1.4	17.7	17.8	0.1

Source: SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Revenue	(Btmn)	7,207	7,603	7,546	7,896	8,453
EBITDA	(Btmn)	2,004	1,844	1,846	2,046	2,349
Core profit	(Btmn)	1,243	1,265	1,298	1,465	1,706
Reported profit	(Btmn)	1,243	1,265	1,298	1,465	1,706
Core EPS	(Bt)	3.05	3.10	3.18	3.59	4.18
DPS	(Bt)	3.05	3.08	3.18	3.59	4.18
P/E, core	(x)	15.9	15.6	15.2	13.5	11.6
EPS growth, core	(%)	5.8	1.8	2.6	12.8	16.4
P/BV, core	(x)	7.20	7.09	7.17	7.01	6.46
ROE	(%)	45.4	45.6	46.7	52.5	57.9
Dividend yield	(%)	6.3	6.4	6.6	7.4	8.6
EV/EBITDA	(x)	10.0	11.1	11.3	10.1	8.7

Source: SCBS Investment Research

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