

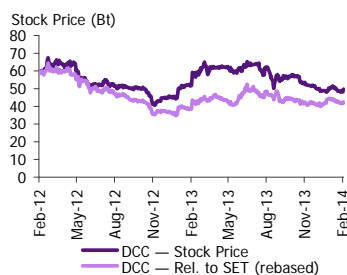
NEUTRAL

Stock Data

Last close (Feb 17) (Bt)	50.00
12-m target price (Bt)	55.00
Upside (Downside) to TP (%)	10.00
Mkt cap (Btbn)	20.40
Mkt cap (US\$mn)	633

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.18
Sector % SET	5.79
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	66.5 / 48
Avg. daily 6m (US\$mn)	0.53
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	-2.0	-3.8	-13.0
Relative to SET	-4.2	2.8	-0.6

Source: SET, SCBS Investment Research

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Little growth in 2014F

- Company guides to muted sales volume but stable margin in 1H14F
- Demand recovery - if any – not until 2H14F
- More favorable product mix = better margin over the medium term
- No catalysts, little growth – only like it for dividend yield of 7% p.a.
- Maintain NEUTRAL with a 12-month PT of Bt55

2013 recap: Flat earnings with lower volume offsetting wider margin. In 2013, DCC's sales volume contracted by 5% YoY to 55.5mn sqm, hit by a demand slowdown, notably in the northeast and northern regions, indication of the weakening economy. 2013 gross margin expanded by 1.9ppts YoY to 41.1% thanks to a fall of 15% in natural gas cost (30% of operating cost) and 3% rise in ASP after a price hike in Jan-Feb 2013. The limp demand led to price competition in 2H13, pulling ASP down 2-3%, especially for conventional products, i.e. 12x12" ceramic floor tiles (42% of sales).

ST weak. DCC expects low sales volume to continue in 1H14 on the economic slowdown and the fall in farmers' income on lack of payment for their pledged rice. Its sales dropped over 10% YoY in Jan 2014 and less than 10% in Feb 2014. At the same time, gross margin remains solid at 40.7% in Jan 2014 (40.5% in Jan 2013) thanks to relatively unchanged ASP and operating costs.

Some recovery expected in 2H14F. DCC expects recovery in demand – assuming there is some - in 2H14F. In the meantime, it has a positive view on ASP and gross margin from a more favorable product mix. DCC plans to raise the portion of sales of new high-margin products (16x16" rectified and hybrid ceramic floor tiles and 24x24" ceramic floor tiles, introduced in 2013) to 10-15% of sales from 7% now to match a change in consumer preference for larger ceramic tiles. Gross margin from these high-margin products is ~10% above conventional grades.

Unexciting 2014 earnings growth of 9%. Our assumptions are 1) sales volume growth of 4% in 2014F (vs -5% in 2013) upon mild demand recovery in 2H14F; 2) gross margin expansion of 1.0ppts YoY to 42.1% from more favorable product mix (vs. +1.9ppts YoY to 41.1% in 2013, from ASP hike for all products and lower gas cost).

No catalysts; Maintain NEUTRAL. We maintain NEUTRAL with 12-month PT of Bt55, based on 15.5x PE (+0.5 S.D. over its 10-year PE). Though share price has fallen 17% over the past six months, we see no catalysts to drive share price in the presence of weak demand and potential rise in gas cost from the depreciation of the baht in 1H14F. We like DCC only for its dividend yield of ~7% p.a. Key risks are changes in sales volume, price competition and gas cost.

Forecasts and valuation

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Revenue	(Btmn)	7,603	7,546	7,818	8,291	8,792
EBITDA	(Btmn)	1,844	1,846	1,982	2,219	2,466
Core profit	(Btmn)	1,265	1,298	1,413	1,602	1,794
Reported profit	(Btmn)	1,265	1,298	1,413	1,602	1,794
Core EPS	(Bt)	3.10	3.18	3.46	3.93	4.40
DPS	(Bt)	3.08	3.18	3.46	3.93	4.40
P/E, core	(x)	16.1	15.7	14.4	12.7	11.4
EPS growth, core	(%)	1.8	2.6	8.9	13.3	12.0
P/BV, core	(x)	7.29	7.39	7.36	6.89	6.47
ROE	(%)	45.6	46.7	51.1	55.9	58.7
Dividend yield	(%)	6.2	6.4	6.9	7.9	8.8
EV/EBITDA	(x)	11.4	11.6	10.7	9.5	8.5

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

Profit and Loss Statement (€m)	2012	2013	2014F	2015F	2016F
FY December 31					
Total revenue	7,603	7,546	7,818	8,291	8,792
Cost of goods sold	4,625	4,447	4,529	4,700	4,879
Gross profit	2,978	3,099	3,289	3,591	3,913
SG&A	1,349	1,456	1,517	1,588	1,671
Other income	35	18	19	20	21
Interest expense	16	24	18	14	14
Pre-tax profit	1,648	1,637	1,773	2,009	2,250
Corporate tax	379	335	355	402	450
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(4)	(5)	(6)	(6)
Core profit	1,265	1,298	1,413	1,602	1,794
Extra-ordinary items	0	0	0	0	0
Net Profit	1,265	1,298	1,413	1,602	1,794
EBITDA	1,844	1,846	1,982	2,219	2,466
Core EPS (Bt)	3.10	3.18	3.46	3.93	4.40
Net EPS (Bt)	3.10	3.18	3.46	3.93	4.40
DPS (Bt)	3.08	3.18	3.46	3.93	4.40

Balance Sheet (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Total current assets	1,911	1,914	1,729	1,766	2,016
Total fixed assets	2,967	3,226	3,346	3,367	3,384
Total assets	4,877	5,140	5,074	5,134	5,400
Total loans	842	1,187	900	700	700
Total current liabilities	1,887	2,157	2,068	1,924	1,984
Total long-term liabilities	193	222	235	249	264
Total liabilities	2,080	2,379	2,302	2,173	2,248
Paid-up capital	408	408	408	408	408
Total equity	2,798	2,761	2,772	2,961	3,153
BVPS (Bt)	6.86	6.77	6.79	7.26	7.73

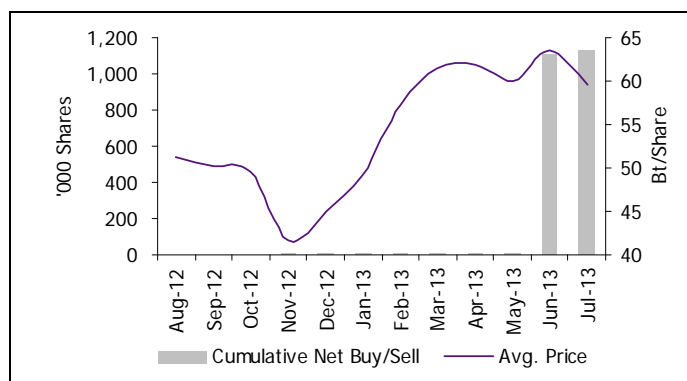
Cash Flow Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Core Profit	1,265	1,298	1,413	1,602	1,794
Depreciation and amortization	180	185	191	196	202
Operating cash flow	1,161	1,413	1,845	1,802	2,000
Investing cash flow	(387)	(444)	(310)	(218)	(219)
Financing cash flow	(775)	(988)	(1,689)	(1,613)	(1,602)
Net cash flow	(2)	(20)	(154)	(29)	180

Key Financial Ratios

	2012	2013	2014F	2015F	2016F
Gross margin(%)	39.2	41.1	42.1	43.3	44.5
Operating margin(%)	21.4	21.8	22.7	24.2	25.5
EBITDA margin(%)	24.3	24.5	25.3	26.8	28.0
EBIT margin(%)	21.9	22.0	22.9	24.4	25.7
Net profit margin(%)	16.6	17.2	18.1	19.3	20.4
ROE (%)	46.0	47.9	51.9	55.0	57.8
ROA (%)	25.6	25.4	27.9	31.2	33.2
Net D/E (%)	23.4	36.9	31.9	24.1	16.9
Interest coverage (x)	116.7	77.3	109.4	157.6	175.0
Debt service coverage (x)	4.4	2.1	1.6	2.4	3.5
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

12-Month Cumulative directors trade



Source: SEC

Profit and Loss Statement (Btmn)

Profit and Loss Statement (Bt/m)					
FY December 31	4Q12	1Q13	2Q13	3Q13	4Q13
Total revenue	1,851	2,203	1,925	1,714	1,704
Cost of goods sold	1,139	1,310	1,119	1,004	1,015
Gross profit	712	893	806	710	690
SG&A	334	374	386	337	360
Other income	4	4	5	4	4
Interest expense	8	6	3	6	8
Pre-tax profit	374	517	422	371	326
Corporate tax	83	105	87	76	68
Equity a/c profits	0	0	0	0	0
Minority interests	(1)	(2)	(2)	(0)	0
Core profit	290	411	334	295	259
Extra-ordinary items	0	0	0	0	0
Net Profit	290	411	334	295	259
EBITDA	426	574	480	435	0
Core EPS (Bt)	0.71	1.01	0.82	0.72	0.63
Net EPS (Bt)	0.71	1.01	0.82	0.72	0.63

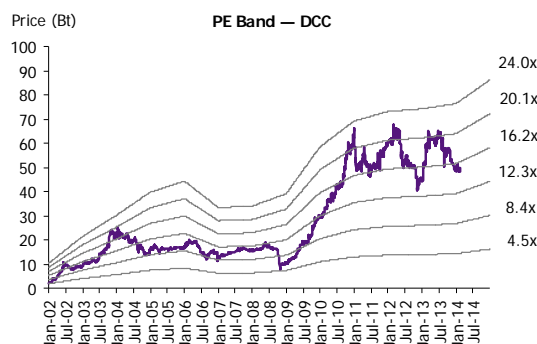
Balance Sheet (Btmn)

FY December 31	4Q12	1Q13	2Q13	3Q13	4Q13
Total current assets	1,911	1,692	1,708	1,831	1,914
Total fixed assets	2,967	3,048	3,110	3,146	3,226
Total assets	4,877	4,740	4,818	4,977	5,140
Total loans	842	170	656	1,013	1,187
Total current liabilities	1,887	1,329	1,774	1,965	2,157
Total long-term liabilities	193	200	208	215	222
Total liabilities	2,080	1,530	1,982	2,181	2,379
Paid-up capital	408	408	408	408	408
Total equity	2,798	3,162	2,836	2,797	2,761
BVPS (Bt)	6.86	7.75	6.95	6.85	6.77

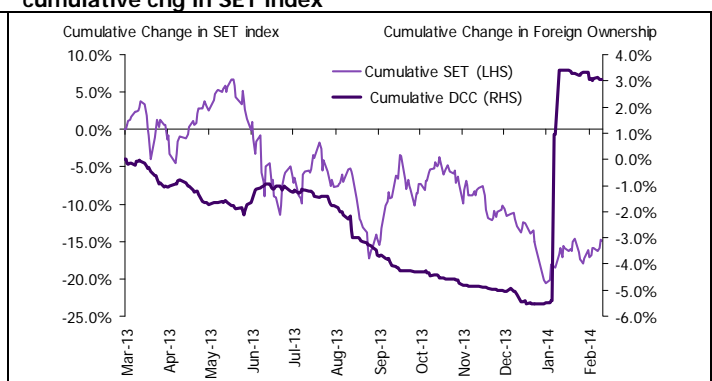
Main Assumptions

	2012	2013	2014F	2015F	2016F
Avg selling price (Bt/sqm)	129	134	135	137	138
Sales volume (mn sqm)	58.3	55.5	57.7	60.6	63.6
Capacities-year end (mn sqm)	64.8	68.4	72.0	75.6	79.2

PE Band Chart



12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research