EARNINGS BRIEF

nasty Ceramic PLC



Wednesday, April 30, 2014

NEUTRAL

Stock Data

Last close (Apr 29) (Bt)	52.75
12-m target price (Bt)	55.00
Upside (Downside) to TP (%)	4.27
Mkt cap (Btbn)	21.52
Mkt cap (US\$mn)	667

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.17
Sector % SET	5.74
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	66.5 / 48
Avg. daily 6m (US\$mn)	0.31
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	8.8	-15.3
Relative to SET	-2.1	-2.7	-4.1
Source: SET, SCBS I	nvestmei	nt Resea	arch

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1014: Misses on weak volume

1Q14 net profit was Bt355mn, -14% YoY but +37% QoQ, 5% below market consensus and 7% below SCBS, mainly on lower volume than expected. The drop YoY was from weaker volume and gross margin and the rise QoQ was seasonal.

1Q14A highlights.

- Revenue slid 7% YoY, hit by the economic slowdown and the fall in farmers' income on lack of payment for pledged rice that ate into demand plus the shutdown of kilns for maintenance. Revenue rose 20% QoQ on a seasonal rise in sales volume.
- Gross margin narrowed to 40%, -0.5ppts YoY and 0.4ppts QoQ, due to the rise in natural gas price (+6% YoY, accounting for 30% of production cost) and labor cost (+11% YoY, accounting for 8% of production cost) after last year's rise in minimum wage.
 - SG&A expenses/sales were 18%, +1.0ppts YoY, from the rise in depreciation expense after refurbishing and expanding outlets.
- DCC announced a 1Q14 DPS of Bt0.87, XD on 9 May 2014.

Trimmed earnings, maintain NEUTRAL. To factor in weaker-than-expected sales volume, we trimmed our earnings by 6% in 2014-15. We maintain NEUTRAL with a 12month PT of Bt55, based on 17x PE (+1S.D. over its 10-year PE). We see no catalysts to drive share price in the near term with continued weak demand and potential gas cost increase from the depreciation of the baht. We like DCC only for its dividend yield of ~6% p.a.

Financial statement

P & L (Btmn)	1013	2Q13	3Q13	4Q13	1Q14	% Chg YoY	% Chg QoQ
Total revenue	2,203	1,925	1,714	1,704	2,039	(7.4)	19.7
Gross profit	893	806	710	690	817	(8.5)	18.4
Pre-tax profit	517	422	371	326	447	(13.6)	37.1
Core profit	411	334	295	259	355	(13.5)	37.4
Net Profit	411	334	295	259	355	(13.5)	37.4
EPS	1.01	0.82	0.72	0.63	0.87	(13.5)	37.4
B/S (Btmn)							
Total assets	4,740	4,818	4,977	5,140	5,083	7.2	(1.1)
Total liabilities	1,530	1,982	2,181	2,379	1,947	27.3	(18.2)
Total equity	3,162	2,836	2,797	2,761	3,137	(0.8)	13.6
BVPS (Bt)	7.8	7.0	6.9	6.8	7.7	(0.8)	13.6
Financial ratio (%)							
Gross margin	40.5	41.9	41.4	40.5	40.0	(0.5)	(0.4)
Net profit margin	18.6	17.4	17.2	15.2	17.4	(1.2)	2.2
SG&A expense/Revenue	17.0	20.0	19.7	21.1	18.0	1.0	(3.1)

Forecasts and valuation

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Revenue	(Btmn)	7,603	7,546	7,517	8,010	8,494
EBITDA	(Btmn)	1,847	1,893	1,918	2,156	2,394
Core profit	(Btmn)	1,265	1,298	1,323	1,511	1,695
Reported profit	(Btmn)	1,265	1,298	1,323	1,511	1,695
Core EPS	(Bt)	3.10	3.18	3.24	3.70	4.15
DPS	(Bt)	3.08	3.18	3.24	3.70	4.15
P/E, core	(x)	17.0	16.6	16.3	14.2	12.7
EPS growth, core	(%)	1.8	2.6	1.9	14.1	12.2
P/BV, core	(x)	7.69	7.79	8.02	7.50	7.05
ROE	(%)	45.6	46.7	48.6	54.4	57.2
Dividend yield	(%)	5.8	6.0	6.1	7.0	7.9
EV/EBITDA	(x)	12.0	11.9	11.7	10.3	9.2

Source: SCBS Investment Research

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