

BUY

1Q15: Driven by better margin

1Q15 net profit Bt384mn, +8% YoY and +37% QoQ, in line with our expectation, mainly on lower production cost, raising gross margin 0.6ppts and net margin 1.6ppts.

1Q15 highlights.

- Revenue was almost flat (-1% YoY) as sales volume slipped, but this was partially offset by better average selling price. Revenue rose, 25% QoQ, which is seasonal.
- Gross margin picked up +0.6ppts YoY and +0.2ppts QoQ to 40.6%, mainly supported by lower gas price, which accounts for 30% of total production cost.
- SG&A dropped 7% YoY, while SG&A/Sales dropped 1.1ppts YoY, helped by effective marketing cost control and lower transportation cost thanks to lower fuel price.
- DCC announced a 1Q15 cash dividend of Bt0.03408 per share together with stock dividend at a ratio of 5 shares for 3 dividend shares (5:3), totaling Bt0.09408 per share, XD on April 29. However, the stock dividend will require an increase in registered capital, which will be proposed to the EGM for approval on June 2, 2015.

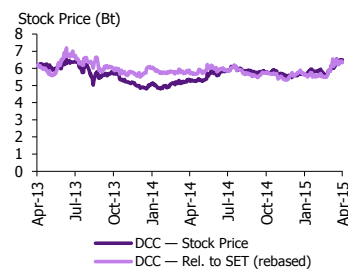
Limited upside, but no reason to sell yet. DCC reported decent 1Q15 net profit of Bt384mn, up 8% YoY and 37% QoQ. Margin expansion, which was virtually the only earnings driver in 1Q15, is likely to continue into 2Q15 due to the lag impact of lower energy prices. Sales also exhibited signs of a potential turnaround, as 1Q15 sales were nearly flat YoY, after six consecutive quarters of contraction of 3-8% YoY. As such, we believe our full-year forecast of 19% can easily be achieved. There was a surprise in DCC's 1Q15 dividend proposal as it included a stock dividend for the first time. We will seek clarity from management on this, but note that dividend payout itself does not have a meaningful impact on valuation. The 15% share price rally since our last report on Feb 24 leaves virtually no upside to our target price of Bt6.8 and we are putting our recommendation on review pending the release of more detailed financials and management meeting.

Stock Data

Last close (Apr 21) (Bt)	6.70
12-m target price (Bt)	6.80
Upside (Downside) to TP (%)	1.49
Mkt cap (Btbn)	27.34
Mkt cap (US\$mn)	844

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.19
Sector % SET	6.57
Shares issued (mn)	4,080
Par value (Bt)	0.10
12-m high / low (Bt)	6.9 / 5.2
Avg. daily 6m (US\$mn)	0.53
Foreign limit / actual (%)	35 / 10
Free float (%)	36.1
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	8.9	17.5	27.0
Relative to SET	5.5	16.9	14.5

Source: SET, SCBS Investment Research

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Financial statement

P & L (Btmn)	1Q14	2Q14	3Q14	4Q14	1Q15	% Chg YoY	% Chg QoQ
Total revenue	2,039	1,868	1,656	1,614	2,024	(0.8)	25.4
Gross profit	817	766	671	653	822	0.7	26.0
Pre-tax profit	447	404	342	352	478	6.9	35.6
Core profit	355	320	272	279	384	8.0	37.4
Net Profit	355	320	272	279	384	8.0	37.4
EPS	0.09	0.08	0.07	0.07	0.09	8.0	37.4
B/S (Btmn)							
Total assets	5,083	5,045	5,097	5,108	5,158	1.5	1.0
Total liabilities	1,947	2,305	2,403	2,406	1,968	1.1	(18.2)
Total equity	3,137	2,741	2,695	2,702	3,191	1.7	18.1
BVPS (Bt)	0.77	0.67	0.66	0.66	0.78	1.7	18.1
Financial ratios (%)							
Gross margin	40.0	41.0	40.5	40.4	40.6	1.5	0.2
Net profit margin	17.4	17.1	16.4	17.3	19.0	8.8	1.7
SG&A expense/Revenue	18.0	19.2	19.6	18.5	16.9	(6.2)	(1.6)

Source: SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2013	2014	2015F	2016F	2017F
Revenue	(Btmn)	7,546	7,177	7,468	7,880	8,316
EBITDA	(Btmn)	1,893	1,863	2,181	2,437	2,707
Core profit	(Btmn)	1,298	1,227	1,464	1,639	1,824
Reported profit	(Btmn)	1,298	1,227	1,464	1,639	1,824
Core EPS	(Bt)	0.32	0.30	0.36	0.40	0.45
DPS	(Bt)	0.32	0.30	0.36	0.40	0.45
P/E, core	(x)	21.1	22.3	18.7	16.7	15.0
EPS growth, core	(%)	2.6	(5.5)	19.4	11.9	11.3
P/BV, core	(x)	9.90	10.12	8.98	8.49	8.03
ROE	(%)	46.7	44.9	51.0	52.4	55.1
Dividend yield	(%)	4.7	4.5	5.4	6.0	6.7
EV/EBITDA	(x)	15.0	15.3	12.8	11.4	10.2

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total revenue	7,546	7,177	7,468	7,880	8,316
Cost of goods sold	4,447	4,271	4,253	4,413	4,584
Gross profit	3,099	2,907	3,215	3,467	3,732
SG&A	1,456	1,350	1,382	1,418	1,455
Other income	18	21	22	24	25
Interest expense	24	33	19	17	14
Pre-tax profit	1,637	1,545	1,837	2,056	2,287
Corporate tax	335	316	367	411	457
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(2)	(5)	(5)	(6)
Core profit	1,298	1,227	1,464	1,639	1,824
Extra-ordinary items	0	0	0	0	0
Net Profit	1,298	1,227	1,464	1,639	1,824
EBITDA	1,893	1,863	2,181	2,437	2,707
Core EPS (Bt)	0.32	0.30	0.36	0.40	0.45
Net EPS (Bt)	0.32	0.30	0.36	0.40	0.45
DPS (Bt)	0.32	0.30	0.36	0.40	0.45

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total current assets	1,915	2,000	1,907	2,001	2,148
Total fixed assets	3,215	3,108	3,188	3,229	3,230
Total assets	5,130	5,108	5,095	5,230	5,378
Total loans	1,188	1,394	800	700	600
Total current liabilities	2,157	2,209	1,847	1,796	1,747
Total long-term liabilities	211	197	205	216	228
Total liabilities	2,368	2,406	2,052	2,012	1,975
Paid-up capital	408	408	408	408	408
Total equity	2,761	2,702	3,043	3,218	3,403
BVPS (Bt)	0.68	0.66	0.75	0.79	0.83

Cash Flow Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Core Profit	1,298	1,227	1,464	1,639	1,824
Depreciation and amortization	232	285	325	365	405
Operating cash flow	1,450	1,340	2,019	1,996	2,220
Investing cash flow	(480)	(179)	(404)	(406)	(407)
Financing cash flow	(990)	(1,081)	(1,713)	(1,564)	(1,739)
Net cash flow	(19)	80	(98)	25	74

Key Financial Ratios

	2013	2014	2015F	2016F	2017F
Gross margin(%)	41.1	40.5	43.0	44.0	44.9
Operating margin(%)	21.8	21.7	24.5	26.0	27.4
EBITDA margin(%)	25.1	26.0	29.2	30.9	32.5
EBIT margin(%)	22.0	22.0	24.8	26.3	27.7
Net profit margin(%)	17.2	17.1	19.6	20.8	21.9
ROE (%)	47.9	46.1	48.8	51.6	0.0
ROA (%)	25.5	24.3	28.8	31.3	0.0
Net D/E (%)	36.9	42.4	21.3	16.3	10.3
Interest coverage (x)	79.3	56.7	115.3	147.3	190.9
Debt service coverage (x)	2.2	1.5	1.5	3.0	3.8
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Profit and Loss Statement (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Total revenue	2,039	1,868	1,656	1,614	2,024
Cost of goods sold	1,223	1,102	985	961	1,202
Gross profit	817	766	671	653	822
SG&A	367	359	325	298	342
Other income	6	3	4	7	6
Interest expense	8	6	9	10	8
Pre-tax profit	447	404	342	352	478
Corporate tax	92	83	69	72	92
Equity a/c profits	0	0	0	0	0
Minority interests	0	(1)	(0)	(1)	(2)
Core profit	355	320	272	279	384
Extra-ordinary items	0	0	0	0	0
Net Profit	355	320	272	279	384
EBITDA	526	486	419	432	555
Core EPS (Bt)	0.09	0.08	0.07	0.07	0.09
Net EPS (Bt)	0.09	0.08	0.07	0.07	0.09

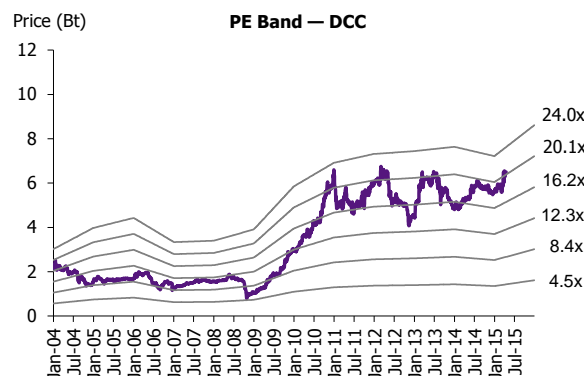
Balance Sheet (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Total current assets	1,847	1,892	1,960	2,000	2,082
Total fixed assets	3,236	3,154	3,137	3,108	3,077
Total assets	5,083	5,045	5,097	5,108	5,158
Total loans	670	1,065	1,350	1,394	870
Total current liabilities	1,763	2,118	2,210	2,209	1,766
Total long-term liabilities	184	187	192	197	201
Total liabilities	1,947	2,305	2,403	2,406	1,968
Paid-up capital	408	408	408	408	408
Total equity	3,137	2,741	2,695	2,702	3,191
BVPS (Bt)	0.77	0.67	0.66	0.66	0.78

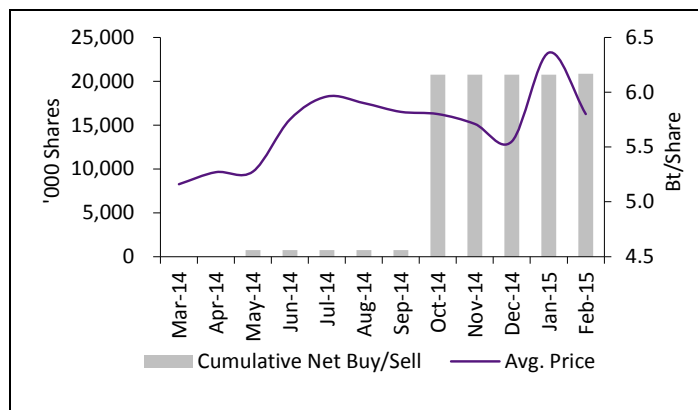
Main Assumptions

	2013	2014	2015F	2016F	2017F
Avg selling price (Bt/sqm)	136	137	137	138	139
Sales volume (mn sqm)	55.5	52.8	54.4	57.1	60.0
Capacities-year end (mn sqm)	68.4	72.0	75.6	79.2	79.2

PE Band Chart

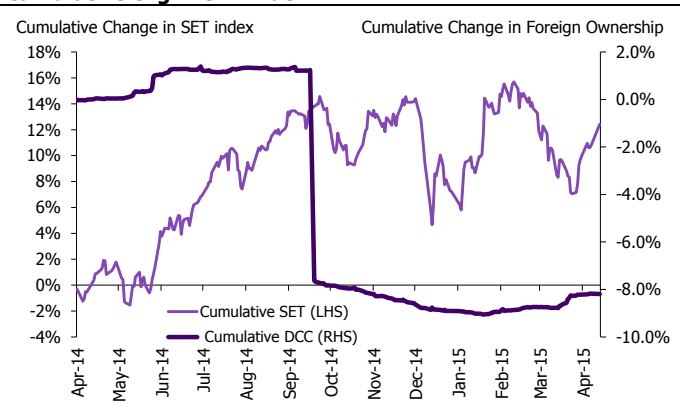


12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

Figure 1: Valuation summary (price as of Apr 21, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F
DCC	Buy	6.70	6.8	6.8	22.3	18.7	16.7	(6)	19	12	10.1	9.0	8.5	45	51	52	4.5	5.4	6.0	15.3	12.8	11.4
DRT	Sell	5.35	5.0	(1.6)	19.4	17.5	16.0	(36)	11	9	2.5	2.5	2.4	13	14	16	5.0	5.0	5.4	9.2	8.4	7.9
SCC	Buy	536.00	570.0	9.1	19.1	16.7	14.3	(2)	14	17	3.1	2.8	2.5	17	17	18	2.3	2.8	3.1	12.1	10.3	9.2
SCCC	Buy	371.00	500.0	39.5	16.9	14.4	12.6	3	17	14	4.1	3.7	3.3	25	27	27	4.0	4.7	5.4	11.8	10.3	8.6
TPIPL	Sell	2.98	2.3	(22.4)	106.9	53.6	44.8	(45)	100	20	1.0	1.0	1.0	1	2	2	0.3	0.4	0.3	27.1	18.9	15.3
Average					36.9	24.2	20.9	(17)	32	14	4.2	3.8	3.5	20	22	23	3.2	3.6	4.1	15.1	12.1	10.5

Source: SCBS Investment Research

CG Rating 2014 - Companies with CG Rating

BAFS, BCP, BTS, CPN, EGCO, GRAMMY, HANA, INTUCH, IRPC, IVL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTEP, PTTGC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALL, TISCO, TMB, TOP

AAP, ACAP, ADVANC, ANAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKL, BLA, BMCL, BROOK, CENTEL, CFRESH, CIMBT, CK, CNT, CPE, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GFPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCOT, NBC, NCH, NINE, NKL, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PM, PPS, PR, PRANDA, PS, PT, QH, RATCH, ROBINS, RS, S & J, SAMCO, SCC, SINGER, SIS, SITHAI, SNC, SNP, SPI, SSF, SSI, SSSC, STA, SVI, TCAP, TF, THAI, THANI, THCOM, TIP, TIPCO, TK, TKT, TNITY, TNL, TOG, TRC, TRUE, TSSE, TSTH, TTA, TTW, TVO, UAC, VGI, VNT, WAOAL

ZS, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFTT, BH, BJC, BCHI, BOL, BTNG, BWG, CCET, CGD, CGS, CHOW, CI, CKP, CM, CMR, CSC, CSP, CSS, DCC, DEMCO, DNA, EA, ESSO, FE, FORTH, FPI, GENCO, GL, GLOBAL, GLOW, GOLD, HOTPRO, HTC, HTECH, HYDRO, IFS, IHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, L&E, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFG, MJD, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, NUSA, NVR, NYT, OGC, OISH, PACE, PATO, PB, PDI, PICO, PPM, PPP, PREB, PRG, PRIN, PTG, QLT, QTC, RCL, SABINA, SALEE, SCRUP, SCC, SCG, SEARCO, SEADOL, SPI, SIAM, SIRI, SKR, SMG, SMK, SMP, SMT, SOLAR, SPK, SPCG, SPPT, SST, STANLY, STEC, STPI, SUC, SWC, SYMC, SYNEK, SYNTec, TASCO, TBSP, TEAM, TFD, TH, THANA, THIP, THREL, TIC, TICON, TIW, TKS, TLUXE, TMI, TMT, TNDT, TPC, TPCORP, TRT, TRU, TSC, TTCL, TUF, TVD, TWFP, UMI, UP, UPF, UPOIC, UT, UV, UWC, VIH, WAVE, WHA, WIN, WINNER, YUASA, ZMICO

Corporate Governance Report disclaimer

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