

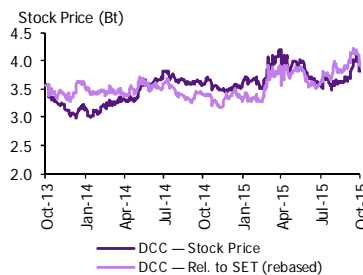
BUY

Stock Data

Last close (Oct 26) (Bt)	3.88
12-m target price (Bt)	4.30
Upside (Downside) to TP (%)	10.82
Mkt cap (Btbn)	25.33
Mkt cap (US\$mn)	713

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.19
Sector % SET	6.50
Shares issued (mn)	6,528
Par value (Bt)	0.10
12-m high / low (Bt)	4.3 / 3.4
Avg. daily 6m (US\$mn)	0.44
Foreign limit / actual (%)	35 / 10
Free float (%)	40.0
Dividend policy (%)	≥ 70

Price Performance



Share performance

	1M	3M	12M
Absolute	4.3	9.6	8.0
Relative to SET	(1.0)	8.7	17.3

Source: SET, SCBS Investment Research

Sirima Dissara, CFA
Fundamental Investment
Analyst on Securities
(66-2) 949-1004
sirima.dissara@scb.co.th

3Q15: Misses estimates on weak sales

3Q15 net profit was Bt275mn (Bt0.04/sh), +1% YoY but -25% QoQ. This was 10% below consensus, which missed mainly on sales estimates. The slight growth YoY was underwritten by a wider gross margin that was able to offset the weaker sales. The QoQ fall came from seasonally lower sales and margin. DCC announced a 3Q15 DPS of 0.042 (XD on Nov 6), implying a 100% dividend payout ratio.

3Q15 highlights.

- Revenue slid 6% YoY (deeper than -1% in 1H15). This is likely due to lower sales volume from slower construction activities and flooding during the rainy season.
- Gross margin widened 180bps YoY to 42.3%, thanks to a gradual drop in natural gas price (-28% YoY, accounting for about 30% of cost).
- SG&A/sales was flat YoY at 19.6% from lower SG&A brought by the drop in logistics costs (40% of SG&A) in tandem with lower oil price that was able to offset the fall in sales.

Maintain BUY. We trimmed our forecast by 5% in 2015 and 2% in 2016 to reflect the lower sales volume than anticipated. Post revision, its 9M15 accounts for 75% of our forecast (vs. 77% over the past five years). Rolling over our target price to mid-2016 gives a TP of Bt4.3 (from Bt4.25 for end-2015), based on 19x PE (+0.55D over its 5-year PE). With 16% ETR, we maintain BUY. We like DCC for 1) potential demand revival in rural areas boosted by the Bt136bn government stimulus package, most of which will be disbursed in 4Q15-1Q16; 2) its continued margin expansion. With low oil price and the lag for fuel cost pricing (shifts in natural gas price lag shifts in oil price by 6-12 months), we expect its margin to continue to be healthy at least until mid-2016.

3Q15 financial statement

P & L (Btmn)	3Q14	4Q14	1Q15	2Q15	3Q15	% Chg YoY	% Chg QoQ
Total revenue	1,656	1,614	2,024	1,831	1,555	(6.2)	(15.1)
Gross profit	671	782	822	792	657	(2.1)	(17.1)
SG&A expense	(325)	(298)	(342)	(328)	(305)	(6.4)	(7.2)
Interest expense	(9)	(10)	(8)	(5)	(5)	(40.2)	0.1
Pre-tax profit	342	482	478	461	350	2.3	(24.2)
Corporate tax	(69)	(97)	(92)	(94)	(74)	6.4	(21.1)
Net Profit	272	384	384	367	275	1.3	(25.0)
EPS	0.04	0.06	0.06	0.06	0.04	1.3	(25.0)
B/S (Btmn)	3Q14	4Q14	1Q15	2Q15	3Q15	% Chg YoY	% Chg QoQ
Total assets	5,097	5,194	5,156	4,905	5,080	(0.3)	3.6
Total liabilities	2,403	2,389	1,965	1,767	2,032	(15.4)	15.0
Total equity	2,695	2,805	3,191	3,138	3,048	13.1	(2.9)
BVPS (Bt)	0.41	0.43	0.49	0.48	0.47	13.1	(2.9)
Financial ratio (%)	3Q14	4Q14	1Q15	2Q15	3Q15	% Chg YoY	% Chg QoQ
Gross margin	40.5	48.5	40.6	43.3	42.3	1.8	(1.0)
Net profit margin	16.4	23.8	19.0	20.0	17.7	1.3	(2.3)
SG&A expense/Revenue	19.6	18.5	16.9	17.9	19.6	(0.0)	1.7

Source: SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2013	2014	2015F	2016F	2017F
Revenue	(Btmn)	7,546	7,177	6,990	7,307	7,749
EBITDA	(Btmn)	1,893	1,888	2,070	2,364	2,666
Core profit	(Btmn)	1,298	1,227	1,373	1,581	1,792
Reported profit	(Btmn)	1,298	1,227	1,373	1,581	1,792
Core EPS	(Bt)	0.20	0.19	0.21	0.24	0.27
DPS	(Bt)	0.20	0.19	0.21	0.24	0.27
P/E, core	(x)	19.5	20.6	18.4	16.0	14.1
EPS growth, core	(%)	2.6	(5.5)	11.9	15.2	13.3
P/BV, core	(x)	9.2	9.0	8.6	8.0	7.5
ROE	(%)	46.7	44.1	47.7	51.7	54.9
Dividend yield	(%)	5.1	4.8	5.4	6.2	7.1
EV/EBITDA	(x)	13.9	14.0	12.6	10.9	9.6

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	6,990	7,307	7,749
Cost of goods sold	4,447	4,245	4,007	4,076	4,249
Gross profit	3,099	2,933	2,983	3,231	3,500
SG&A	1,456	1,350	1,258	1,253	1,263
Other income	18	21	20	21	22
Interest expense	24	33	22	17	14
Pre-tax profit	1,637	1,570	1,722	1,983	2,246
Corporate tax	335	342	344	397	449
Equity a/c profits	0	0	0	0	0
Minority interests	-4	-2	-5	-5	-5
Core profit	1,298	1,227	1,373	1,581	1,791
Extra-ordinary items	0	0	0	0	0
Net Profit	1,298	1,227	1,373	1,581	1,791
EBITDA	1,893	1,888	2,070	2,364	2,666
Core EPS (Bt)	0.20	0.19	0.21	0.24	0.27
Net EPS (Bt)	0.20	0.19	0.21	0.24	0.27
DPS (Bt)	0.20	0.19	0.21	0.24	0.27

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total current assets	1,915	2,112	1,772	1,881	2,056
Total fixed assets	3,215	3,082	3,155	3,193	3,193
Total assets	5,130	5,194	4,927	5,074	5,249
Total loans	1,185	1,390	800	700	600
Total current liabilities	2,157	2,192	1,783	1,714	1,666
Total long-term liabilities	211	197	191	200	212
Total liabilities	2,368	2,389	1,975	1,914	1,878
Paid-up capital	408	408	408	408	408
Total equity	2,761	2,805	2,952	3,160	3,371
BVPS (Bt)	0.42	0.43	0.45	0.48	0.52

Cash Flow Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Core Profit	1,298	1,227	1,373	1,581	1,791
Depreciation and amortization	232	285	325	365	405
Operating cash flow	1,450	1,168	2,101	1,953	2,186
Investing cash flow	-480	-153	-398	-404	-405
Financing cash flow	-990	-978	-1,817	-1,473	-1,681
Net cash flow	-19	38	-114	76	100

Key Financial Ratios

	2013	2014	2015F	2016F	2017F
Gross margin (%)	41.1	40.9	42.7	44.2	45.2
Operating margin (%)	21.8	22.1	24.7	27.1	28.9
EBITDA margin (%)	25.1	26.3	29.6	32.4	34.4
EBIT margin (%)	22.0	22.3	25.0	27.4	29.2
Net profit margin (%)	17.2	17.1	19.6	21.6	23.1
ROE (%)	47.9	44.4	47.2	50.7	53.9
ROA (%)	25.5	23.9	28.0	31.2	34.1
Net D/E (%)	36.8	42.2	24.0	16.8	9.8
Interest coverage (x)	79.3	57.5	92.2	142.9	188.0
Debt service coverage (x)	2.2	1.6	1.5	2.9	3.7
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Profit and Loss Statement (Btmn)

FY December 31	3Q14	4Q14	1Q15	2Q15	3Q15
Total revenue	1,656	1,614	2,024	1,831	1,555
Cost of goods sold	985	832	1,202	1,039	897
Gross profit	671	782	822	792	657
SG&A	325	298	342	328	305
Other income	4	7	6	3	2
Interest expense	9	10	8	5	5
Pre-tax profit	342	482	478	461	350
Corporate tax	69	97	92	94	74
Equity a/c profits	0	0	0	0	0
Minority interests	-0	-0	-2	-1	-1
Core profit	272	384	384	367	275
Extra-ordinary items	0	0	0	0	0
Net Profit	272	384	384	367	275
EBITDA	419	561	556	539	0
Core EPS (Bt)	0.04	0.06	0.06	0.06	0.04
Net EPS (Bt)	0.04	0.06	0.06	0.06	0.04

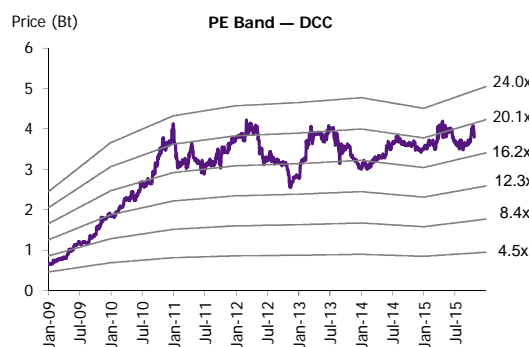
Balance Sheet (Btmn)

FY December 31	3Q14	4Q14	1Q15	2Q15	3Q15
Total current assets	1,960	2,112	2,110	1,836	1,981
Total fixed assets	3,137	3,082	3,046	3,069	3,099
Total assets	5,097	5,194	5,156	4,905	5,080
Total loans	1,350	1,390	870	525	1,035
Total current liabilities	2,210	2,192	1,764	1,560	1,820
Total long-term liabilities	192	197	201	207	212
Total liabilities	2,403	2,389	1,965	1,767	2,032
Paid-up capital	408	408	408	653	653
Total equity	2,695	2,805	3,191	3,138	3,048
BVPS (Bt)	0.41	0.43	0.49	0.48	0.47

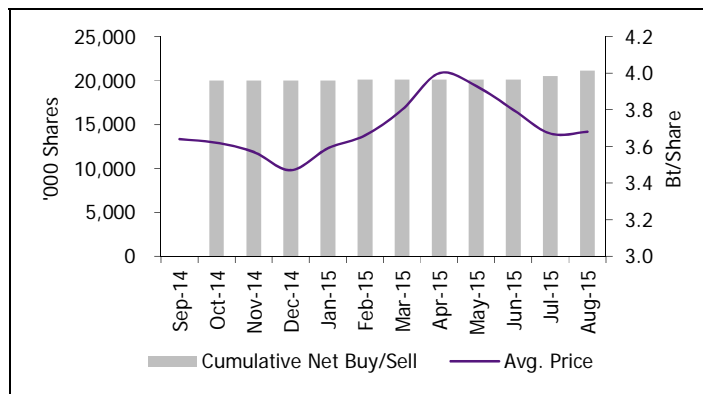
Main Assumptions

	2013	2014	2015F	2016F	2017F
Avg selling price (Bt/sqm)	136.0	136.9	137.4	138.8	140.2
Sales volume (mn sqm)	55.5	52.4	50.9	52.6	55.3
Capacities-year end (mn sqm)	68.4	72.0	75.6	79.2	79.2

PE Band Chart

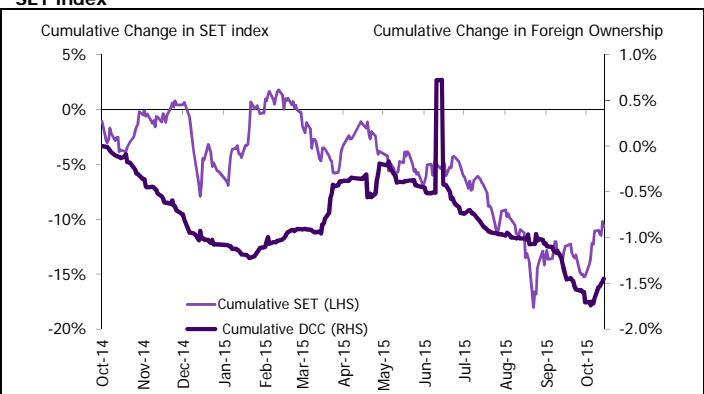


12-Month Cumulative directors trade



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 Oct 26, 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	3.88	4.3	16.2	20.7	18.4	16.0	(6)	12	15	9.0	8.6	8.0	44	48	52	4.8	5.4	6.2	14.0	12.6	10.9
DRT	Sell	4.50	5.0	17.0	16.3	14.7	13.5	(36)	11	9	2.1	2.1	2.1	13	14	16	6.0	5.9	6.4	8.0	7.3	6.8
SCC	Buy	474.00	630.0	36.5	16.9	12.9	11.3	(2)	32	14	2.7	2.4	2.1	17	20	20	2.6	3.6	4.0	11.0	8.5	7.6
SCCC	Buy	348.00	420.0	24.8	15.9	18.0	15.4	3	(12)	17	3.8	3.7	3.4	25	21	23	4.3	4.1	4.2	11.1	12.0	10.1
TPIPL	Sell	2.60	2.3	(11.1)	93.3	46.8	39.1	(45)	100	20	0.9	0.9	0.9	1	2	2	0.4	0.4	0.4	24.7	17.2	13.9
Average					32.6	22.2	19.1	(17)	28	15	3.7	3.5	3.3	20	21	22	3.6	3.9	4.3	13.8	11.5	9.9

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, PTTCP, PTTGC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALL, TISCO, TMB, TOP

AAV, ACAP, ADVANC, ANAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKI, BLA, BMCL, BROOK, CENTEL, CFRESH, CIMBT, CK, CNT, CPE, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, G8X, GC, GFPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCO, NBC, NCH, NINE, NKI, 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, TST, 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, HOTPOT, HTC, HTECH, HYDRO, IFS, IHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, L&E, LHH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFEK, MID, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, NUSA, NWR, NNT, OGC, OSHI, PACE, PATO, PB, PDL, PICO, PPM, PPP, PREB, PRG, PRIN, PTG, QLT, QTC, RCL, SABINA, SALEE, SCBLIF, SCCG, SCG, SEACO, SEADIL, SFP, SIAM, SIRI, SKR, SMG, SMK, SMPK, SMT, SOLAR, SPC, SPCG, SPPT, SST, STANLY, STEC, STPI, SUC, SWC, SYMC, SYNEX, SYNTEC, TASCQ, TBSR, TEAM, TFD, TFI, THANA, THIP, THREL, TIC, TICON, TIW, TK, TLUXE, TMI, TMT, TNDT, TPC, TPCORP, TRT, TRU, TSC, TTCL, TUF, TVD, TWFP, UMI, UP, UPF, UPOIC, UT, UV, UWG, VIH, WAVE, WHA, WIN, WINNER, YUASA, ZMICO

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.