



Dynasty Ceramic

Dynasty Ceramic
Public Company Limited

DCC

Bloomberg DCC TB
Reuters DCC.BK

1Q22: In line with market estimates

1Q22 net profit was Bt534mn, +8% YoY and +38% QoQ, in line with market estimates. We believe 1Q22 will be this year's best from seasonality. Its 2Q22F earnings are expected to drop QoQ but to be relatively stable YoY as better sales from higher product prices and sales volume will offset the continued rise in energy and transportation costs. We maintain our 3-month rating as NEUTRAL with end-2022 TP of Bt3.0.

1Q22 net profit was Bt534mn, +8% YoY and +38% QoQ, working out to an EPS of Bt0.06, -3% YoY but +38% QoQ, as shares were added by conversion of DCC-W1 in May 2021. Results were in line with market estimates. The YoY improvement was backed by wider gross margin and lower SG&A/sales; the QoQ rise was due to seasonality. DCC announced a 1Q22 DPS of Bt0.055 (XD on May 13).

1Q22 highlights. Revenue was Bt2.4bn, flat YoY, with a 14% drop in sales volume balancing a 14% rise in product selling prices from an increase in market price and more contribution from new higher-priced products. Gross margin was 44.2%, +150bps YoY thanks to a rise in product prices and more efficient production and cost management that offset higher energy cost (natural gas costs rose by 39% YoY). SG&A/sales fell 70bps YoY to 17.1% from a steeper drop in SG&A expenses (-5% YoY) than in sales (-1% YoY) as it optimized transportation cost to counter a 29% YoY rise in diesel price and more efficiently managed administration expense. Rental & other income was stable YoY at Bt23mn. Interest expenses fell to Bt4mn in 1Q22 from Bt7mn in 1Q21 after a loan repayment.

Earnings outlook. We expect 1Q22 earnings to be this year's best. 2Q22F earnings are set to drop QoQ from seasonality but to be relatively stable YoY as better sales will balance the weaker margin. Product selling prices are set to be better YoY from more sales of higher-priced products and gradual improvement in sales volume. However, margin will be eroded by a more rapid rise in energy and transportation costs from a prolonged Russia-Ukraine conflict. Spot Brent oil price jumped to US\$100/barrel on average (+64% YoY and +24% QoQ) in 1Q22 and is US\$105/barrel (+53% YoY and 6% QoQ) in 2Q22TD. As natural gas price lags oil price by 1-2 quarters, we expect actual natural gas costs (about 30% of its total cost of sales) to rise further from 2Q22F. With the gradual lifting of the government subsidy from May 1, local diesel price has gone up to Bt32/liter from Bt30/liter with more price increases to come. A rise in local diesel price by at least 30% YoY in 2Q22F will bump up transportation costs (about 40% of total SG&A). Key risks are changes in market demand, product prices and energy costs.

Forecasts and valuation

Year to 31 Dec	Unit	2020	2021	2022F	2023F	2024F
Revenue	(Btmn)	8,501	8,396	8,821	9,132	9,455
EBITDA	(Btmn)	2,711	2,813	2,905	2,993	3,082
Core profit	(Btmn)	1,578	1,700	1,774	1,845	1,916
Reported profit	(Btmn)	1,585	1,700	1,774	1,845	1,916
Core EPS	(Bt)	0.20	0.19	0.19	0.20	0.21
DPS	(Bt)	0.17	0.19	0.19	0.19	0.20
P/E, core	(x)	14.8	15.4	15.4	14.8	14.2
EPS growth, core	(%)	38.4	(3.9)	0.4	4.0	3.9
P/BV, core	(x)	4.8	4.5	4.6	4.5	4.4
ROE	(%)	37.7	31.8	30.2	30.8	31.2
Dividend yield	(%)	5.5	6.2	6.2	6.5	6.7
FCF yield	(x)	8.5	6.2	6.9	7.2	7.5
EV/EBIT	(x)	13.1	13.0	12.7	12.1	11.5
EBIT growth, core	(%)	35.1	7.6	4.3	4.0	3.8
EV/CE	(x)	3.3	3.5	3.6	3.6	3.6
ROCE	(%)	19.6	20.7	22.0	23.1	24.2
EV/EBITDA	(x)	9.6	9.9	9.8	9.4	9.0
EBITDA growth	(%)	35.1	3.8	3.3	3.0	3.0

Source: SCBS Investment Research

Tactical: NEUTRAL

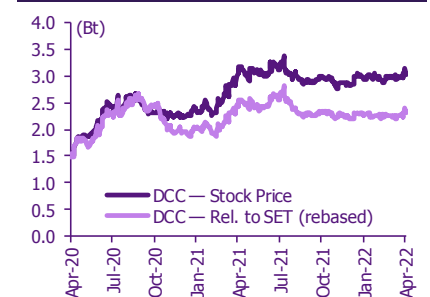
(3-month)

Stock data

Last close (May 3) (Bt)	2.98
Target price (Bt)	3.00
Mkt cap (Btmn)	27.19
Mkt cap (US\$mn)	788

Beta	M
Mkt cap (%) SET	0.14
Sector % SET	3.63
Shares issued (mn)	9,126
Par value (Bt)	0.10
12-m high / low (Bt)	3.4 / 2.7
Avg. daily 6m (US\$mn)	1.20
Foreign limit / actual (%)	35 / 6
Free float (%)	41.0
Dividend policy (%)	≥ 70

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(1.3)	(1.3)	(3.9)
Relative to SET	1.7	(0.0)	(9.9)

Source: SET, SCBS Investment Research

Analyst

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

Financial statement

Profit and Loss Statement

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Total revenue	(Btmn)	7,363	8,027	8,118	8,501	8,396	8,821	9,132	9,455
Cost of goods sold	(Btmn)	4,515	4,924	4,991	4,973	4,758	5,006	5,180	5,363
Gross profit	(Btmn)	2,848	3,102	3,126	3,529	3,638	3,815	3,952	4,092
SG&A	(Btmn)	(1,549)	(1,749)	(1,727)	(1,621)	(1,582)	(1,654)	(1,708)	(1,768)
Other income	(Btmn)	29	26	73	81	85	70	75	85
Interest expense	(Btmn)	31	41	42	49	18	18	18	18
Pre-tax profit	(Btmn)	1,298	1,338	1,430	1,939	2,122	2,214	2,302	2,391
Corporate tax	(Btmn)	255	202	275	360	419	437	454	472
Equity a/c profits	(Btmn)	0	0	0	0	0	0	0	0
Minority interests	(Btmn)	75	(158)	(140)	(1)	(3)	(3)	(3)	(4)
Core profit	(Btmn)	1,117	979	1,015	1,578	1,700	1,774	1,845	1,916
Extra-ordinary items	(Btmn)	0	0	(42)	7	0	0	0	0
Net Profit	(Btmn)	1,117	979	973	1,585	1,700	1,774	1,845	1,916
EBITDA	(Btmn)	1,780	1,901	2,006	2,711	2,813	2,905	2,993	3,082
Core EPS (Bt)	(Btmn)	0.17	0.15	0.15	0.20	0.19	0.19	0.20	0.21
Net EPS (Bt)	(Bt)	0.17	0.15	0.14	0.20	0.19	0.19	0.20	0.21
DPS (Bt)	(Bt)	0.13	0.12	0.10	0.17	0.19	0.19	0.19	0.20

Balance Sheet

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Total current assets	(Btmn)	2,181	2,382	2,621	2,305	2,505	2,955	3,318	3,685
Total fixed assets	(Btmn)	4,916	5,621	6,101	6,491	6,438	6,297	6,148	6,000
Total assets	(Btmn)	7,097	8,003	8,722	8,796	8,943	9,252	9,466	9,685
Total loans	(Btmn)	2,111	2,406	3,967	2,679	1,734	1,484	1,484	1,484
Total current liabilities	(Btmn)	3,078	3,436	4,927	3,240	2,450	2,158	2,198	2,241
Total long-term liabilities	(Btmn)	239	245	276	697	656	1,173	1,197	1,222
Total liabilities	(Btmn)	3,316	3,681	5,203	3,937	3,106	3,331	3,396	3,463
Paid-up capital	(Btmn)	653	653	723	820	913	913	913	913
Total equity	(Btmn)	3,781	4,322	3,519	4,858	5,837	5,921	6,070	6,222
BVPS (Bt)	(Bt)	0.58	0.66	0.50	0.62	0.66	0.65	0.66	0.68

Cash Flow Statement

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Core Profit	(Btmn)	1,117	979	1,015	1,578	1,700	1,774	1,845	1,916
Depreciation and amortization	(Btmn)	452	522	534	722	673	673	673	673
Operating cash flow	(Btmn)	1,465	1,547	1,468	2,574	2,312	2,410	2,493	2,562
Investing cash flow	(Btmn)	(1,245)	(1,274)	(3,073)	(590)	(694)	(533)	(524)	(525)
Financing cash flow	(Btmn)	(207)	(241)	1,597	(2,031)	(1,631)	(1,939)	(1,696)	(1,764)
Net cash flow	(Btmn)	13	31	(8)	(47)	(13)	(62)	273	274

Key Financial Ratios

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Gross margin	(%)	38.7	38.7	38.5	41.5	43.3	43.3	43.3	43.3
Operating margin	(%)	17.6	16.9	17.2	22.4	24.5	24.5	24.6	24.6
EBITDA margin	(%)	24.2	23.7	24.7	31.9	33.5	32.9	32.8	32.6
EBIT margin	(%)	18.0	17.2	18.1	23.4	25.5	25.3	25.4	25.5
Net profit margin	(%)	15.2	12.2	12.0	18.6	20.3	20.1	20.2	20.3
ROE	(%)	31.2	24.2	25.9	37.7	31.8	30.2	30.8	31.2
ROA	(%)	17.4	13.0	12.1	18.0	19.2	19.5	19.7	20.0
Net D/E	(x)	0.5	0.5	1.1	0.5	0.3	0.2	0.1	0.1
Interest coverage	(x)	58.0	46.7	48.0	55.4	159.3	163.1	168.1	173.1
Debt service coverage	(x)	0.8	0.8	0.5	1.2	2.1	2.9	2.9	3.0
Payout Ratio	(%)	74.8	77.4	74.9	81.7	95.7	95.7	95.7	95.7

Main Assumptions

FY December 31	Unit	2017	2018	2019	2020	2021	2022F	2023F	2024F
Sales volume	(mn sqm)	55.7	59.2	59.6	60.8	57.4	58.5	59.7	60.9
Sales volume growth	(%)	4.9	6.2	0.7	2.0	(5.6)	2.0	2.0	2.0
Avg selling price growth	(%)	(2.0)	2.6	0.4	2.7	4.6	3.0	1.5	1.5
Gross margin (%)	(%)	38.7	38.7	38.5	41.5	43.3	43.3	43.3	43.3

Financial statement

Profit and Loss Statement

FY December 31	Unit	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total revenue	(Btmn)	2,372	2,067	1,885	2,413	2,179	1,834	1,969	2,395
Cost of goods sold	(Btmn)	1,379	1,179	1,096	1,382	1,229	1,023	1,123	1,335
Gross profit	(Btmn)	992	889	789	1,031	950	811	846	1,059
SG&A	(Btmn)	(439)	(394)	(358)	(431)	(400)	(369)	(382)	(411)
Other income	(Btmn)	20	21	23	23	20	19	23	23
Interest expense	(Btmn)	12	9	9	7	3	4	4	4
Pre-tax profit	(Btmn)	561	507	445	616	567	457	483	668
Corporate tax	(Btmn)	114	99	82	121	113	90	95	134
Equity a/c profits	(Btmn)	0	0	0	0	0	0	0	0
Minority interests	(Btmn)	(4)	(2)	(1)	(2)	(1)	(0)	(0)	(0)
Core profit	(Btmn)	444	406	362	493	453	366	388	534
Extra-ordinary items	(Btmn)	0	7	(0)	0	0	0	0	0
Net Profit	(Btmn)	444	413	361	493	453	366	388	534
EBITDA	(Btmn)	756	698	631	793	741	628	651	828
Core EPS (Bt)	(Btmn)	0.06	0.05	0.04	0.06	0.05	0.04	0.04	0.06
Net EPS (Bt)	(Bt)	0.06	0.05	0.04	0.06	0.05	0.04	0.04	0.06

Balance Sheet

FY December 31	Unit	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Total current assets	(Btmn)	2,226	2,285	2,305	2,241	2,328	2,466	2,505	2,484
Total fixed assets	(Btmn)	6,709	6,655	6,491	6,393	6,345	6,250	6,438	6,415
Total assets	(Btmn)	8,934	8,940	8,796	8,634	8,673	8,716	8,943	8,899
Total loans	(Btmn)	2,044	2,326	2,573	1,691	1,056	1,664	1,734	1,005
Total current liabilities	(Btmn)	3,216	3,357	3,240	2,958	1,933	2,231	2,450	2,274
Total long-term liabilities	(Btmn)	728	718	697	673	674	672	656	664
Total liabilities	(Btmn)	3,944	4,075	3,937	3,631	2,607	2,902	3,106	2,938
Paid-up capital	(Btmn)	820	820	820	820	913	913	913	913
Total equity	(Btmn)	4,990	4,865	4,858	5,003	6,066	5,814	5,837	5,961
BVPS (Bt)	(Bt)	0.64	0.59	0.59	0.61	0.70	0.64	0.64	0.65

Cash Flow Statement

	Unit	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Core Profit	(Btmn)	444	413	361	493	453	366	388	534
Depreciation and amortization	(Btmn)	182	182	177	171	171	167	165	157
Operating cash flow	(Btmn)	883	681	174	1,075	491	92	654	869
Investing cash flow	(Btmn)	(139)	(293)	(34)	(60)	(87)	(220)	(327)	(90)
Financing cash flow	(Btmn)	(753)	(117)	(1,914)	(1,007)	(420)	121	(325)	(776)
Net cash flow	(Btmn)	(10)	270	(1,774)	8	(16)	(7)	1	3

Key Financial Ratios

FY December 31	Unit	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Gross margin	(%)	41.8	43.0	41.8	42.7	43.6	44.2	43.0	44.2
Operating margin	(%)	23.3	23.9	22.9	24.9	25.2	24.1	23.6	27.1
EBITDA margin	(%)	31.9	33.8	33.5	32.9	34.0	34.2	33.1	34.6
EBIT margin	(%)	24.2	25.0	24.1	25.8	26.2	25.1	24.7	28.1
Net profit margin	(%)	18.7	20.0	19.2	20.4	20.8	20.0	19.7	22.3
ROE	(%)	40.0	32.9	29.7	40.0	32.8	24.7	26.6	36.2
ROA	(%)	19.6	18.2	16.3	22.6	21.0	16.9	17.6	24.0
Net D/E	(x)	0.4	0.5	0.5	0.3	0.2	0.3	0.3	0.2
Interest coverage	(x)	61.9	78.1	72.0	115.5	212.2	168.1	182.9	236.7
Debt service coverage	(x)	1.4	1.2	1.1	2.4	4.4	1.9	1.9	5.3

Key statistics

FY December 31	Unit	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Sales volume	(mn sqm)	16.7	14.8	13.7	17.3	15.2	12.1	12.8	14.9
Sales volume growth	(%)	11.3	10.4	(4.2)	10.2	(9.0)	(18.2)	(6.6)	(14.0)
Avg selling price growth	(%)	3.9	1.7	2.9	0.6	1.0	8.5	11.8	15.4
Gross margin (%)	(%)	41.8	43.0	41.8	42.7	43.6	44.2	43.0	44.2

Figure 1: Earnings review

P & L (Btmn)	1Q21	2Q21	3Q21	4Q21	1Q22	% Chg YoY	% Chg QoQ
Total revenue	2,413	2,179	1,834	1,969	2,395	(0.8)	21.6
Gross profit	1,031	950	811	846	1,059	2.7	25.2
SG&A expense	(431)	(400)	(369)	(382)	(411)	(4.7)	7.4
Net other income/expense	23	20	19	23	23	2.4	2.7
Interest expense	(7)	(3)	(4)	(4)	(4)	(49.0)	(1.7)
Pre-tax profit	616	567	457	483	668	8.5	38.4
Corporate tax	(121)	(113)	(90)	(95)	(134)	10.9	41.0
Profit before minority interest	495	454	367	388	534	8.0	37.8
Minority interests	(2)	(1)	(0)	(0)	(0)	(94.0)	(63.3)
Net Profit	493	453	366	388	534	8.3	37.9
EPS	0.06	0.05	0.04	0.04	0.06	(2.7)	38.0
EBITDA	793	741	628	651	828	4.4	27.3
B/S (Btmn)							
Total assets	8,634	8,673	8,716	8,943	8,899	3.1	(0.5)
Total liabilities	3,631	2,607	2,902	3,106	2,938	(19.1)	(5.4)
Total equity	5,003	6,066	5,814	5,837	5,961	19.2	2.1
BVPS (Bt)	0.61	0.70	0.64	0.64	0.65	7.1	2.2
Financial ratio (%)							
Gross margin	42.7	43.6	44.2	43.0	44.2	1.5	1.3
Net profit margin	20.4	20.8	20.0	19.7	22.3	1.9	2.6
SG&A expense/Revenue	17.9	18.3	20.1	19.4	17.1	(0.7)	(2.3)

Source: SCBS Investment Research

Figure 2: Valuation summary (price as of May 3, 2022)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F
DCC	Neutral	2.98	3.0	7.2	15.4	15.4	14.8	(4)	0	4	4.5	4.6	4.5	32	30	31	6.2	6.2	6.5	9.9	9.8	9.4
SCC	Neutral	370.00	420.0	17.9	9.1	12.3	10.3	34	(26)	19	1.0	1.0	0.9	12	8	9	5.0	4.1	4.4	8.1	8.5	7.2
SCCC	Neutral	150.50	185.0	28.9	12.7	12.5	12.3	(4)	2	1	1.1	1.2	1.1	10	9	9	6.0	6.0	6.0	7.8	7.7	7.4
Average					12.4	13.4	12.5	9	(8)	8	2.2	2.2	2.2	18	16	16	5.7	5.4	5.6	8.6	8.7	8.0

Source: SCBS Investment Research

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