



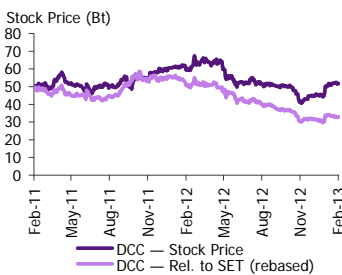
BUY

Stock Data

Last close (Feb 12) (Bt)	55.50
12-m target price (Bt)	70.00
Upside (Downside) to TP (%)	26.13
Mkt cap (Btbn)	22.64
Mkt cap (US\$mn)	758

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.18
Sector % SET	5.75
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	67.8 / 40.3
Avg. daily 6m (US\$mn)	1.20
Foreign limit / actual (%)	35 / 16
Free float (%)	36.8
Dividend policy (%)	≥ 70

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	9.9	36.2	-6.3
Relative to SET	5.2	17.9	-30.4

Source: SET, SCBS Investment Research

Sirima Dissara, CFA

(66-2) 949-1004

sirima.dissara@scb.co.th

Tiling a recovery story

DCC is a massive laggard, trading 18% below its 2012 peak while the market is 28% higher in the same period. Successful operational fix in the past 12 months will restore the company's growth story. We expect DCC's earnings growth to surge to 25% this year, from near zero last year, in our revised forecast. Our new TP of Bt70 implies 26% capital gain, which would be further sweetened by a 7% dividend yield. BUY.

Strong operational improvements. Yesterday's analyst meeting led by Khun Roongroj Saengsastra, Chairman & CEO, revealed that DCC successfully raised average product selling price from Bt129/sqm in 2012 to Bt135/sqm in mid-Jan 13 and Bt139/sqm in mid-Feb 13. Despite the price hike, sales volume picked up strongly by 12% YoY in January. Backing for this was provided by three elements. First, market demand was strong. Second, it introduced a new product in 4Q12 that met with customer approval. This is a "rectified floor ceramic tile" sized 16"x16", for which the selling price is almost 30% below the price for imported granito tiles, and thus will lure some share away from the imported granito tile market. Thirdly, last year's logistics problems were solved by shortening the payment terms and using larger trucks.

Positive guidance for 2013. DCC targets 10% sales volume growth and 7% average selling price (ASP) increase to Bt138/sqm in 2013. Gross margin is expected to edge up to 40% from 39.2% in 2012, thanks to better economies of scale, higher ASP and sales mix optimization. DCC aims to boost the proportion of the 16"x16" rectified floor ceramic tile size from 3-4% of total sales volume to 35-40%. While the ASP on this product is 20% above the conventional grade, its production cost is merely 5% higher. DCC is not concerned about the current boom in modern trade distribution outlets for home improvement products, as they generate only 2% of total sales from ceramic tile sales due to space limitation. DCC's in-house outlets, primarily dedicated to ceramic tiles, offer much broader product range and account for 75% of its sales.

Earnings upgrade. To reflect the stronger outlook, we have raised our forecast by 14% to Bt1.6bn in 2013F and Bt1.8bn in 2014F. Our key assumption changes are: 1) an increase in ASP to Bt134/sqm (+4% YoY) in 2013F and Bt135/sqm (+1% YoY) in 2014F; 2) a rise in sales volume to 63mn sqm (+8% YoY) in 2013F and 69mn sqm (+8% YoY) in 2014F; and 3) a rise in gas cost by 5%. Our full-year ASP assumptions are more conservative than company guidance as we see seasonality factors contributing to the pricing so far in 1Q13. Our sensitivity analysis suggests that every 1% rise in sales volume and ASP will increase DCC's earnings by 1% and 3.5%, respectively, while every 1% rise in gas cost will hurt its earnings by 1.5%.

Maintain BUY. We raised our 12-month PT to Bt70 (from Bt57), based on 18x PE (+1.5 S.D. over its 10-year PE of 13x) in response to our earnings upgrade. We like DCC for several reasons: 1) potential earnings upgrade by street (our earnings are 14% above consensus); 2) hugely laggard play in its sector (DCC -7% vs. SETCONMAT +24% and SET +34% in the past 12 months); 3) attractive valuation, trading at 14x 13PE vs 3-year EPS growth at 20%; and 4) compelling dividend yield at 7.0% in 2013F.

Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Revenue	(Btmn)	7,207	7,603	8,507	9,280	10,122
EBITDA	(Btmn)	2,004	1,844	2,153	2,496	2,877
Core profit	(Btmn)	1,243	1,255	1,569	1,838	2,138
Reported profit	(Btmn)	1,243	1,255	1,569	1,838	2,138
Core EPS	(Bt)	3.05	3.08	3.84	4.50	5.24
DPS	(Bt)	3.05	3.07	3.84	4.50	5.24
P/E, core	(x)	18.2	18.0	14.4	12.3	10.6
EPS growth, core	(%)	5.8	1.0	24.9	17.2	16.3
P/BV, core	(x)	8.50	8.40	7.88	7.47	6.79
ROE	(%)	46.1	46.8	56.3	62.2	67.2
Dividend yield	(%)	5.5	5.5	6.9	8.1	9.4
EV/EBITDA	(x)	11.4	12.7	10.4	8.9	7.6

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total revenue	7,207	7,603	8,507	9,280	10,122
Cost of goods sold	4,141	4,625	5,103	5,458	5,843
Gross profit	3,066	2,978	3,405	3,821	4,279
SG&A	1,277	1,349	1,476	1,559	1,645
Other income	20	35	39	43	47
Interest expense	6	16	0	0	0
Pre-tax profit	1,803	1,648	1,968	2,305	2,681
Corporate tax	555	388	394	461	536
Equity a/c profits	0	0	0	0	0
Minority interests	(5)	(4)	(6)	(6)	(7)
Core profit	1,243	1,255	1,569	1,838	2,138
Extra-ordinary items	0	0	0	0	0
Net Profit	1,243	1,255	1,569	1,838	2,138
EBITDA	2,004	1,844	2,153	2,496	2,877
Core EPS (Bt)	3.05	3.08	3.84	4.50	5.24
Net EPS (Bt)	3.05	3.07	3.84	4.50	5.24
DPS (Bt)	3.05	3.07	3.84	4.50	5.24

Balance Sheet (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total current assets	1,623	1,911	1,633	1,863	2,312
Total fixed assets	2,665	2,848	3,080	3,304	3,324
Total assets	4,288	4,759	4,714	5,168	5,636
Total loans	401	842	0	0	0
Total current liabilities	1,481	1,887	1,574	1,846	1,989
Total long-term liabilities	143	170	255	278	304
Total liabilities	1,624	2,057	1,829	2,124	2,293
Paid-up capital	408	408	408	408	408
Total equity	2,664	2,702	2,874	3,033	3,333
BVPS (Bt)	6.53	6.62	7.03	7.43	#DIV/0!

Cash Flow Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Core Profit	1,243	1,255	1,569	1,838	2,138
Depreciation and amortization	195	180	185	191	197
Operating cash flow	1,577	1,139	2,720	2,301	2,403
Investing cash flow	(641)	(363)	(418)	(415)	(216)
Financing cash flow	(905)	(767)	(2,236)	(1,679)	(1,838)
Net cash flow	30	9	67	207	349

Key Financial Ratios

	2011	2012	2013F	2014F	2015F
Gross margin(%)	42.5	39.2	40.0	41.2	42.3
Operating margin(%)	24.8	21.4	22.7	24.4	26.0
EBITDA margin(%)	27.8	24.3	25.3	26.9	28.4
EBIT margin(%)	25.1	21.9	23.1	24.8	26.5
Net profit margin(%)	17.3	16.5	18.4	19.8	21.1
ROE (%)	47.4	47.3	55.5	61.5	65.0
ROA (%)	28.8	26.1	32.6	34.9	37.2
Net D/E (%)	7.9	24.2	(9.2)	(15.6)	(24.6)
Interest coverage (x)	317.0	N.A.	N.A.	N.A.	#DIV/0!
Debt service coverage (x)	313.3	N.A.	N.A.	N.A.	#DIV/0!
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Profit and Loss Statement (Btmn)

FY December 31	4Q11	1Q12	2Q12	3Q12	4Q12
Total revenue	1,634	2,093	1,883	1,777	1,851
Cost of goods sold	971	1,264	1,145	1,078	1,139
Gross profit	663	828	738	700	712
SG&A	297	347	341	326	334
Other income	4	3	26	2	4
Interest expense	6	2	2	5	8
Pre-tax profit	364	483	421	371	374
Corporate tax	111	109	98	103	79
Equity a/c profits	0	0	0	0	0
Minority interests	(1)	(1)	(1)	(2)	(1)
Core profit	253	373	322	267	294
Extra-ordinary items	0	0	0	0	0
Net Profit	253	373	322	267	294
EBITDA	405	527	469	421	426
Core EPS (Bt)	0.62	0.91	0.79	0.65	0.72
Net EPS (Bt)	0.62	0.91	0.79	0.65	0.72

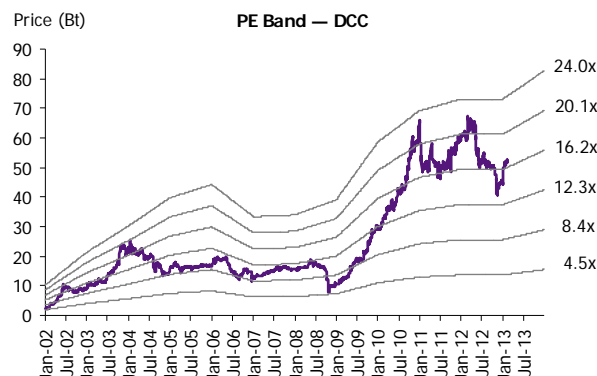
Balance Sheet (Btmn)

FY December 31	4Q11	1Q12	2Q12	3Q12	4Q12
Total current assets	1,638	1,756	1,650	1,857	1,911
Total fixed assets	2,665	2,695	2,704	2,734	2,848
Total assets	4,303	4,451	4,353	4,592	4,759
Total loans	416	0	321	770	842
Total current liabilities	1,497	1,265	1,465	1,752	1,887
Total long-term liabilities	143	158	162	167	170
Total liabilities	1,640	1,423	1,627	1,919	2,057
Paid-up capital	408	408	408	408	408
Total equity	2,663	3,028	2,726	2,672	2,702
BVPS (Bt)	6.53	7.42	6.68	6.55	6.62

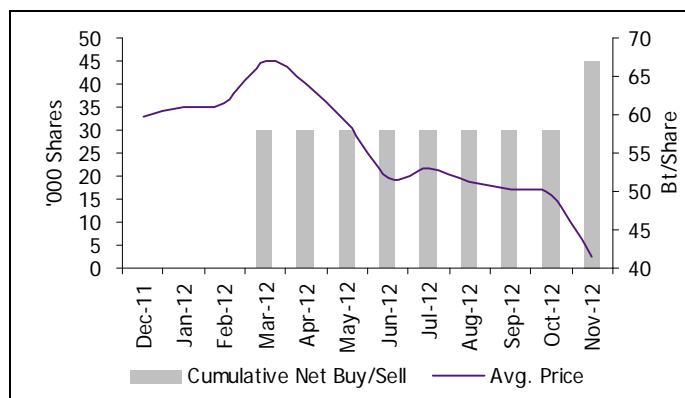
Main Assumptions

	2011	2012	2013F	2014F	2015F
Avg selling price (Bt/sqm)	129	129	134	135	137
Sales volume (mn sqm)	55.9	58.5	63.5	68.6	74.0
Capacities-year end (mn sqm)	61.2	64.8	68.4	72.0	75.6

PE Band Chart

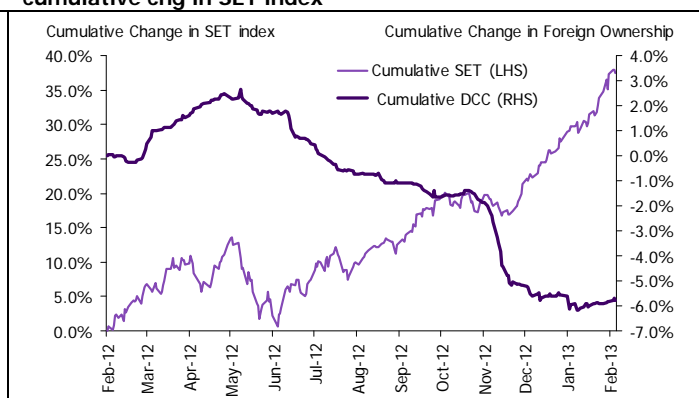


12-Month Cumulative directors trade



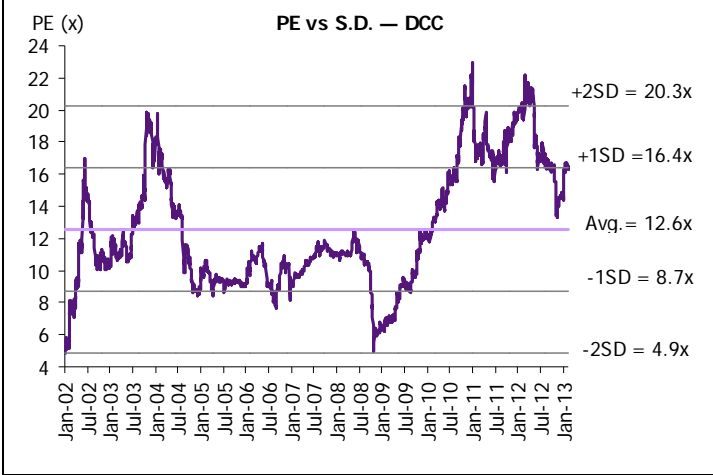
Source: SEC

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



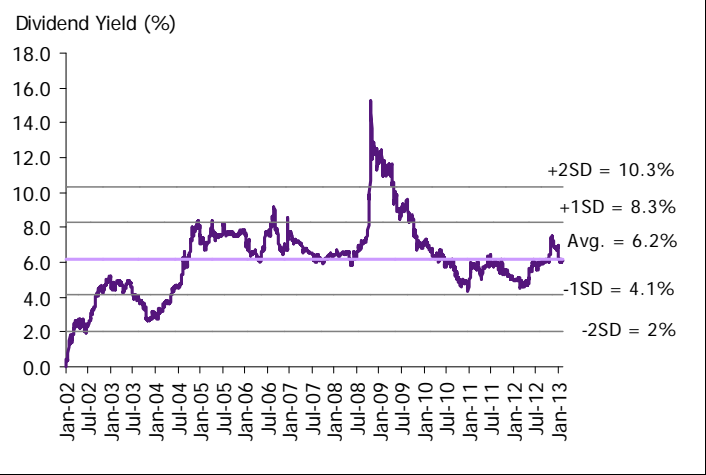
Source: SET, SCBS Investment Research

Figure 1: DCC's historical PE



Source: Company data and SCBS Investment Research

Figure 2: DCC's historical dividend yield



Source: Company data and SCBS Investment Research

CG Rating 2012 Companies with CG Rating under SCBS's Coverage
ADYANG, AOT, BANPU, BAY, BBL, BCP, BEC, BKK, BLS, SL, DRI, EGCO, ERW, HEMRAI, IRP, KBANK, KK, KTB, LPH, MCOT, PS, PSL, PT, PTTP, PTIG, QH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, THAI, TISCO, TMB, TOP, TTA
AMATA, AP, ASP, BEC, BH, BIG, CENTEL, CK, CPALL, CP, DCL, DELTA, DTAC, ESSO, GPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINY, DISH, SCCC, SMT, SPALL, STANLY, STEC, SVI, TCAP, THCOM, TICON, TRUE, TIW
AEONYS, AH, BLA, CCET, KTC, LHBANK, MAJOR, RCL, ROJNA, SIRI, TPPL
AAV, BCH, BCG, CPNRF, POPF, QHPT, SSI, TFUND, TLOGIS, WHA, WHAPF
N/A

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.