

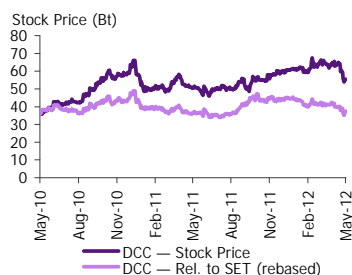
## SELL

## Stock Data

Last close (May 23) (Bt)	54.50
12-m target price (Bt)	50.00
Upside (Downside) to TP (%)	(8.26)
Mkt cap (Btbn)	22.24
Mkt cap (US\$mn)	705

Bloomberg code	DCC TB
Reuters code	DCC.BK
Risk rating	L
Mkt cap (%) SET	0.24
Sector % SET	5.79
Shares issued (mn)	408
Par value (Bt)	1
12-m high / low (Bt)	67.8 / 46
Avg. daily 6m (US\$mn)	1.00
Foreign limit / actual (%)	35 / 22
Free float (%)	43.0
Dividend policy (%)	≥ 70

## Price Performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	-16.8	-11.0	7.4
Relative to SET	-10.1	-8.2	2.9

Source: SET, SCBS Investment Research

Sirima Dissara, CFA

(66-2) 949-1004

sirima.dissara@scb.co.th

## Disappointing earnings to continue

- **Diversion of trucks to harvests hurt sales volume in 1Q12, early 2Q12**
- **DCC cut 2012 guidance to sales growth of 10% (from +15%) and gross margin of 42% (from +45%), but still higher than our estimates**
- **Negative catalysts: 1) Earnings peaked in 1Q12A; 2) widespread earnings downgrades; 3) unjustified valuation, trading at 16x 12PE against its earnings CAGR of 14% (vs. almost 30% earlier) in 2012-14F**
- **Maintain SELL with a new mid-13 PT of Bt50, based on 14x PE**

**Maintain SELL.** Following yesterday's analyst meeting, we maintain our SELL rating with a new mid-2013 PT of Bt50, based on 14x PE (+0.5 S.D. over its 10-year historical average PE of 12x). Its 1Q12A earnings, albeit disappointing, look to be this year's best as the low season sets in. With low sales volume growth continuing, 2Q12 earnings will stay weak. Our earnings are 7% below market consensus and we expect the market to downgrade to reflect its poor 1Q12 showing and its cut in guidance. Valuation is also unjustified, as the stock price is trading at 16x 12PE, against its earnings CAGR of 14% (vs. almost 30% earlier) in 2012-14F.

**Reasons for disappointing 1Q12.** DCC said the disappointing 1Q12 sales volume growth (+2% YoY) arose out of insufficient trucks, which were diverted to load agricultural products during the harvest. With the lead-time for product delivery lengthened to two weeks from the usual three days, DCC faced opportunity loss throughout the period. DCC expects to solve this problem during next year's harvest season (Feb-April) by raising the cost of delivery by 20%. In 1Q12A, DCC estimates the market's sales volume at a solid 8% in 1Q12, above the average 4-6%, driven by recovery after the floods, while DCC's market share fell to 42% from 44-46%. We expect DCC lost market share to both local competitors (TGCI +8% in 1Q12 vs. +10% in 2011, UMI&RCI +9% in 1Q12 vs. +1% in 2011, DCC +3% in 1Q12 vs. +11% in 2011) and imports.

**Earnings peaked in 1Q12A; Slow sales volume to continue into 2Q12.** DCC says that as of May, the harvests have ended and trucks are available. This will allow sales volume to grow in the remainder of 2Q12; still DCC expects only single-digit 2Q12 sales volume growth. After passing high season, DCC admits that 1Q12 earnings were this year's best. We thus expect a continued weak showing in 2Q12 with small growth YoY and a drop QoQ from seasonality.

**Cut 2012 guidance, but still above our estimates.** DCC has cut its 2012 guidance by: 1) lowering sales growth to 10% from 15% to reflect its logistics problem in 1Q12 through early 2Q12; 2) reducing gross margin to 42% (from 45%) from the rise in gas costs (+27% YoY in 1Q12 and continuing to go up in 2Q12). In our view, its new guidance still seems on the high side when taken against its poor 1Q12A (+3% sales growth and 40% gross margin). We maintain our 2012 assumptions at +7% sales growth and 41% gross margin.

## Forecasts and valuation

Year to 31 Dec	Unit	2010	2010	2012F	2013F	2014F
Revenue	(Btmn)	6,513	7,207	7,706	8,510	9,214
EBITDA	(Btmn)	2,035	2,000	1,953	2,158	2,486
Core profit	(Btmn)	1,175	1,242	1,376	1,589	1,847
Reported profit	(Btmn)	1,175	1,242	1,376	1,589	1,847
Core EPS	(Bt)	2.88	3.05	3.37	3.90	4.53
DPS	(Bt)	2.88	3.05	3.37	3.90	4.53
P/E, core	(x)	18.9	17.9	16.2	14.0	12.0
EPS growth, core	(%)	18.2	5.7	10.7	15.5	16.2
P/BV, core	(x)	8.16	8.35	8.17	8.02	7.66
ROE	(%)	43.2	46.1	51.1	57.9	65.1
Dividend yield	(%)	5.3	5.6	6.2	7.1	8.3
EV/EBITDA	(x)	10.8	11.2	11.5	10.3	8.9

Source: SCBS Investment Research

## Financial statement

## Profit and Loss Statement (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Total revenue	6,513	7,207	7,706	8,510	9,214
Cost of goods sold	3,630	4,145	4,574	5,034	5,292
Gross profit	2,883	3,062	3,132	3,476	3,922
SG&A	1,206	1,277	1,360	1,506	1,631
Other income	18	20	21	24	26
Interest expense	0	4	0	0	0
Pre-tax profit	1,695	1,802	1,793	1,994	2,317
Corporate tax	516	554	412	399	463
Equity a/c profits	0	0	0	0	0
Minority interests	(4)	(5)	(5)	(6)	(6)
Core profit	1,175	1,242	1,376	1,589	1,847
Extra-ordinary items	0	0	0	0	0
Net Profit	1,175	1,242	1,376	1,589	1,847
EBITDA	2,035	2,000	1,953	2,158	2,486
Core EPS (Bt)	2.88	3.05	3.37	3.90	4.53
Net EPS (Bt)	2.88	3.05	3.37	3.90	4.53
DPS (Bt)	2.88	3.05	3.37	3.90	4.53

## Balance Sheet (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Total current assets	1,497	1,638	1,168	1,248	1,390
Total fixed assets	2,218	2,665	2,965	3,218	3,463
Total assets	3,715	4,303	4,133	4,466	4,853
Total loans	0	416	0	0	0
Total current liabilities	941	1,497	1,259	1,525	1,766
Total long-term liabilities	48	143	153	169	183
Total liabilities	989	1,640	1,412	1,694	1,949
Paid-up capital	408	408	408	408	408
Total equity	2,726	2,663	2,722	2,772	2,904
BVPS (Bt)	6.68	6.53	6.67	6.79	7.12

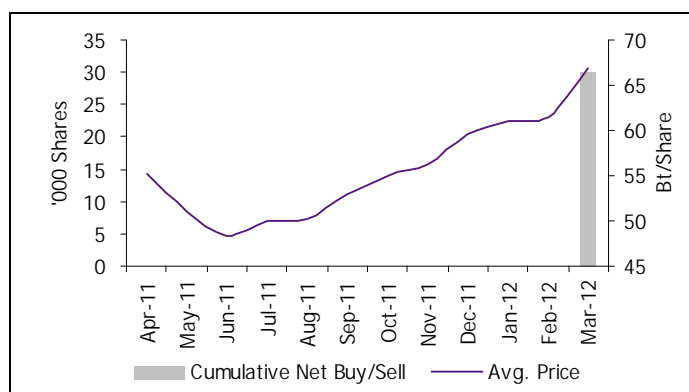
## Cash Flow Statement (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Core Profit	1,175	1,242	1,376	1,589	1,847
Depreciation and amortization	339	195	160	165	170
Operating cash flow	1,562	1,577	1,852	2,044	2,274
Investing cash flow	(432)	(641)	(460)	(417)	(415)
Financing cash flow	(1,161)	(890)	(1,733)	(1,539)	(1,715)
Net cash flow	(31)	46	(341)	88	144

## Key Financial Ratios

	2010	2011	2012F	2013F	2014F
Gross margin(%)	44.3	42.5	40.6	40.8	42.6
Operating margin(%)	25.8	24.8	23.0	23.1	24.9
EBITDA margin(%)	31.2	27.8	25.3	25.4	27.0
EBIT margin(%)	26.0	25.0	23.3	23.4	25.1
Net profit margin(%)	18.0	17.2	17.9	18.7	20.0
ROE (%)	43.7	47.4	51.3	58.2	64.5
ROA (%)	31.2	28.6	32.9	35.2	37.7
Net D/E (%)	(5.9)	7.9	5.0	1.7	(3.3)
Interest coverage (x)	12224.8	561.5	N.A.	N.A.	N.A.
Debt service coverage (x)	902.1	549.8	N.A.	N.A.	N.A.
Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

## 12-Month Cumulative directors trade



Source: SEC

## CG Rating 2011 Companies with CG Rating under SCBS's Coverage

ADIANC, AOT, BANPU, BAY, BBL, BCP, BML, CFP, CSL, EGO, HEMRAJ, IRPC, KBANK, KK, KTB, LPN, MCOT, PS, PSL, PTT, PTTPE, QH, RATCH, SAT, SCB, SCC, TISCO, TMB, TOP
AMATA, AP, ASP, BEC, BECL, BH, BISC, BJA, BTS, CK, CPALL, DELTA, DRT, DTAC, GPPT, GLOW, HANA, HMPRO, INTUCH, KCE, KEST, LH, IWL, MAJOR, MAKRO, PHATRA, SCC, SMT, SPALI, SIRI, STANLY, STEC, SVI, TCAP, THAI, TRUE, TTA, TTW
AEONIS, AH, CCET, DCC, ESSO, ITD, KH, KTC, RCL, ROJNA, TICON, TIPL
N/A
BGH, BLS, CPNRF, LHBANK, POPF, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF
PTTGC is the merged entity of PTTC and PTTAR

## 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.

## Profit and Loss Statement (Btmn)

FY December 31	1Q11	2Q11	3Q11	4Q11	1Q12
Total revenue	2,018	1,856	1,698	1,634	2,093
Cost of goods sold	1,169	1,042	959	975	1,264
Gross profit	850	814	739	660	828
SG&A	334	334	312	297	347
Other income	3	9	5	4	3
Interest expense	0	0	1	3	2
Pre-tax profit	518	489	432	363	483
Corporate tax	153	150	141	110	109
Equity a/c profits	0	0	0	0	0
Minority interests	(1)	(2)	(1)	(1)	(1)
Core profit	364	337	289	252	373
Extra-ordinary items	0	0	0	0	0
Net Profit	364	337	289	252	373
EBITDA	606	525	468	402	0
Core EPS (Bt)	0.89	0.83	0.71	0.62	0.91
Net EPS (Bt)	0.89	0.83	0.71	0.62	0.91

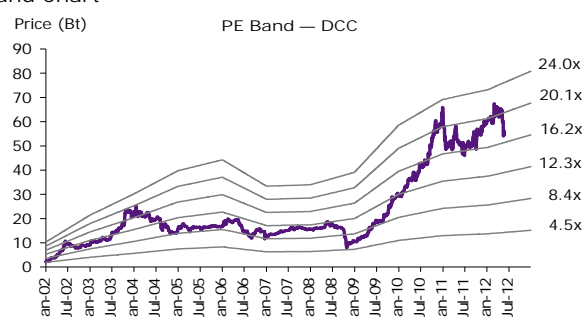
## Balance Sheet (Btmn)

FY December 31	1Q11	2Q11	3Q11	4Q11	1Q12
Total current assets	2,059	1,531	1,403	1,638	1,756
Total fixed assets	2,301	2,501	2,615	2,665	2,695
Total assets	4,361	4,032	4,019	4,303	4,451
Total loans	1	6	210	416	0
Total current liabilities	1,215	1,148	1,179	1,497	1,265
Total long-term liabilities	136	136	140	143	158
Total liabilities	1,351	1,284	1,318	1,640	1,423
Paid-up capital	408	408	408	408	408
Total equity	3,009	2,748	2,700	2,663	3,028
BVPS (Bt)	7.38	6.74	6.62	6.53	7.42

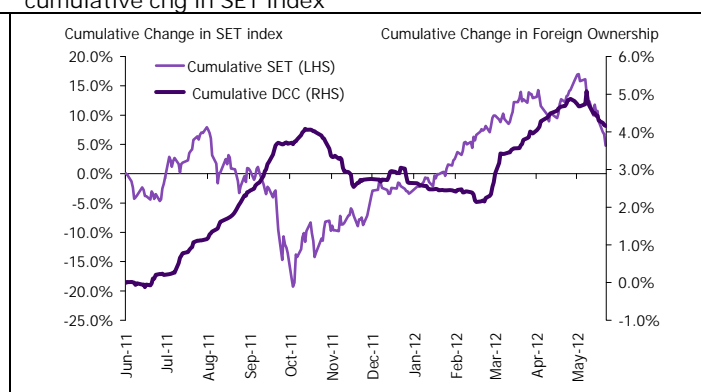
## Main Assumptions

	2010	2011	2012F	2013F	2014F
Avg selling price (Bt/sqm)	128.7	128.9	129.4	129.9	130.3
Sales volume (mn sqm)	50.6	55.9	59.5	65.5	70.7
Capacities-year end (mn sqm)	51.0	61.2	64.8	68.4	72.0

## PE Band Chart



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



Source: SET, SCBS Investment Research