Dynasty Ceramic Pcl (DCC TB) - HOLD, Price Bt2.96, TP Bt3.30

Results Comment

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4Q21 results in line

- DCC reported normalized earnings of Bt388m in 4Q21, up 7% y-y and 6% y-y. The results were in line with what we had expected. An earnings growth quarter on quarter and year on year was mainly due to higher sales and gross margin.
- Even though we see the ceramic tile industry in Thailand as mature with an organic growth of 3-5%, the market has already been consolidated, allowing the players, including DCC, to sustain its earnings. However, DCC's valuation looks fair to us, so we maintain a HOLD rating on DCC for its decent dividend yield of 6.3-6.5% in 2022-23F.
- DCC's revenue in 4Q21 increased 4% y-y. We believe this was because of higher average selling prices due to an increase in product prices and higher proportion of large-sized ceramic tile sales.
- Despite a rise in gas prices (30% of the total production costs) by over 30% y-y in 4Q21, its gross margin still improved to 43% in 4Q21 vs. 42% in 4Q20. We believe this was because the company was able to pass on rising costs to customers via selling price hike while higher proportion of large-sized ceramic tile sales weighted up its overall gross margin.
- Its SG&A expenses in 4Q21 increased 7% y-y due to the higher transportation costs while interest expenses dropped 59% y-y due to the loan repayments.
- DCC announced a dividend payment of Bt0.045, implying an annualized yield of 6%.
- Key risk: Fluctuations in gas prices and the economic volatility present major risks to our earnings projections.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	1,885	2,413	2,179	1,834	1,969
Gross profit	**789**	**1,031**	**950**	**811**	**846**
SG&A	358	431	400	369	382
Operating profit	431	600	550	441	464
EBITDA	**609**	**771**	**719**	**610**	**628**
Other income	23	23	20	19	23
Other expense	0	0	0	0	0
Interest expense	9	7	3	4	4
Profit before tax	**445**	**616**	**567**	**457**	**483**
Income tax	82	121	113	90	95
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	(2)	(1)	(0)	(0)
Extraordinary items	0	0	0	0	0
Net profit	**362**	**493**	**453**	**366**	**388**
Normalized profit	**362**	**493**	**453**	**366**	**388**
EPS (Bt)	0.04	0.06	0.05	0.04	0.04
Normalized EPS (Bt)	0.04	0.06	0.05	0.04	0.04

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	7	4	93	8,396	9,405
Gross profit	**4**	**7**	**99**	**3,638**	**3,805**
SG&A	3	7	95	1,582	1,740
Operating profit	5	8	102	2,055	2,065
EBITDA	**3**	**3**	**99**	**2,728**	**2,837**
Other income	18	(0)	94	85	92
Other expense					
Interest expense	(5)	(59)	44	18	31
Profit before tax	**6**	**8**	**103**	**2,122**	**2,126**
Income tax	6	15	102	419	425
Equity & invest. income					
Minority interests	na	na	264	(3)	(1)
Extraordinary items					
Net profit	**6**	**7**	**103**	**1,700**	**1,700**
Normalized profit	**6**	**7**	**103**	**1,700**	**1,700**
EPS (Bt)	6	(4)	104	0.20	0.19
Normalized EPS (Bt)	6	(4)	104	0.20	0.19

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	71	79	64	57	58
A/C receivable	144	226	180	151	164
Inventory	2,089	1,934	2,084	2,248	2,273
Other current assets	1	1	1	10	10
Investment	0	0	0	0	0
Fixed assets	5,879	5,803	5,757	5,670	5,866
Other assets	611	590	588	580	571
Total assets	**8,796**	**8,634**	**8,673**	**8,716**	**8,943**
S-T debt	2,165	1,200	570	1,180	1,250
A/C payable	786	1,355	1,036	760	922
Other current liabilities	290	403	327	290	278
L-T debt	0	0	0	0	0
Other liabilities	697	673	674	672	656
Minority interest	96	98	99	43	43
Shareholders' equity	**4,762**	**4,905**	**5,967**	**5,771**	**5,794**
Working capital	1,447	806	1,228	1,639	1,515
Total debt	2,165	1,200	570	1,180	1,250
Net debt	**2,094**	**1,121**	**506**	**1,123**	**1,192**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(1.4)	10.8	(8.1)	(11.3)	4.5
Operating profit growth	40.1	40.3	(0.6)	(10.8)	7.6
EBITDA growth	40.8	26.5	(2.2)	(9.8)	3.3
Norm profit growth	51.8	34.3	2.2	(11.3)	7.2
Norm EPS growth	33.9	18.4	(19.0)	(20.3)	(3.7)
Gross margin	41.8	42.7	43.6	44.2	43.0
Operating margin	22.9	24.9	25.2	24.1	23.6
EBITDA margin	32.3	31.9	33.0	33.3	31.9
Norm net margin	19.2	20.4	20.8	20.0	19.7
D/E (x)	0.5	0.2	0.1	0.2	0.2
Net D/E (x)	0.4	0.2	0.1	0.2	0.2
Interest coverage (x)	69.4	112.2	205.9	163.4	176.5
Interest rate	1.6	1.6	1.6	1.7	1.2
Effective tax rate	18.5	19.6	19.9	19.7	19.7
ROA	16.3	22.6	21.0	16.9	17.6
ROE	30.3	40.8	33.4	25.0	26.8

Sources: Company data, Thanachart estimates

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