Dynasty Ceramic Pcl (DCC TB) - BUY, Price Bt2.98, TP Bt3.40

Results Comment

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1Q22 results in line

- DCC reported normalized earnings of Bt534m in 1Q22, up 8% y-y and 38% q-q. The results were in line with what we had expected. An earnings growth 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 pass on its rising gas costs to customers and sustain its earnings. Its dividend yield is high at 6.4-6.9% in 2022-24F.
- DCC's revenue in 1Q22 fell 1% y-y. Despite a fall in Its sales volume by 14% y-y in 1Q22, its average selling prices increased 14% y-y.
- Despite a rise in gas prices (30% of the total production costs) by 39% y-y in 1Q22, its gross margin still improved to 44% in 1Q22 vs. 43% in 1Q21 as the company passed on rising costs to customers via selling price hike. Moreover, higher sales proportion of high-margin large-sized ceramic tiles also weighted up its overall gross margin.
- Its SG&A expenses in 1Q22 fell 5% y-y while interest expenses dropped 49% y-y due to loan repayments.
- DCC announced a dividend payment of Bt0.055 in 1Q22, implying an annualized yield of 7.4%.
- 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)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	2,413	2,179	1,834	1,969	2,395
Gross profit	**1,031**	**950**	**811**	**846**	**1,059**
SG&A	431	400	369	382	411
Operating profit	600	550	441	464	649
EBITDA	**771**	**719**	**610**	**628**	**649**
Other income	23	20	19	23	23
Other expense	0	0	0	0	0
Interest expense	7	3	4	4	4
Profit before tax	**616**	**567**	**457**	**483**	**668**
Income tax	121	113	90	95	134
Equity & invest. income	0	0	0	0	0
Minority interests	(2)	(1)	(0)	(0)	(0)
Extraordinary items	0	0	0	0	0
Net profit	**493**	**453**	**366**	**388**	**534**
Normalized profit	**493**	**453**	**366**	**388**	**534**
EPS (Bt)	0.06	0.05	0.04	0.04	0.06
Normalized EPS (Bt)	0.06	0.05	0.04	0.04	0.06

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	22	(1)	27	8,906	8,592
Gross profit	**25**	**3**	**28**	**3,799**	**3,826**
SG&A	7	(5)	24	1,692	1,632
Operating profit	40	8	31	2,107	2,193
EBITDA	**3**	**(16)**	**23**	**2,778**	**2,883**
Other income	3	2	27	86	88
Other expense					
Interest expense	(2)	(49)	21	17	13
Profit before tax	**38**	**9**	**31**	**2,176**	**2,269**
Income tax	41	11	31	435	454
Equity & invest. income					
Minority interests	na	na	3	(3)	(3)
Extraordinary items					
Net profit	**38**	**8**	**31**	**1,738**	**1,812**
Normalized profit	**38**	**8**	**31**	**1,738**	**1,812**
EPS (Bt)	38	(3)	31	0.19	0.20
Normalized EPS (Bt)	38	(3)	31	0.19	0.20

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	79	64	57	58	62
A/C receivable	226	180	151	164	218
Inventory	1,934	2,084	2,248	2,273	2,195
Other current assets	1	1	10	10	10
Investment	0	0	0	0	0
Fixed assets	5,803	5,757	5,670	5,866	5,822
Other assets	590	588	580	571	593
Total assets	**8,634**	**8,673**	**8,716**	**8,943**	**8,899**
S-T debt	1,200	570	1,180	1,250	515
A/C payable	1,355	1,036	760	922	1,347
Other current liabilities	403	327	290	278	412
L-T debt	0	0	0	0	0
Other liabilities	673	674	672	656	664
Minority interest	98	99	43	43	43
Shareholders' equity	**4,905**	**5,967**	**5,771**	**5,794**	**5,918**
Working capital	806	1,228	1,639	1,515	1,066
Total debt	1,200	570	1,180	1,250	515
Net debt	**1,121**	**506**	**1,123**	**1,192**	**453**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	10.8	(8.1)	(11.3)	4.5	(0.8)
Operating profit growth	40.3	(0.6)	(10.8)	7.6	8.1
EBITDA growth	26.5	(2.2)	(9.8)	3.3	(15.8)
Norm profit growth	34.3	2.2	(11.3)	7.2	8.3
Norm EPS growth	18.4	(19.0)	(20.3)	(3.7)	(2.7)
Gross margin	42.7	43.6	44.2	43.0	44.2
Operating margin	24.9	25.2	24.1	23.6	27.1
EBITDA margin	31.9	33.0	33.3	31.9	27.1
Norm net margin	20.4	20.8	20.0	19.7	22.3
D/E (x)	0.2	0.1	0.2	0.2	0.1
Net D/E (x)	0.2	0.1	0.2	0.2	0.1
Interest coverage (x)	112.2	205.9	163.4	176.5	185.4
Interest rate	1.6	1.6	1.7	1.2	1.6
Effective tax rate	19.6	19.9	19.7	19.7	20.0
ROA	22.6	21.0	16.9	17.6	24.0
ROE	40.8	33.4	25.0	26.8	36.5

Sources: Company data, Thanachart estimates

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