

Dynasty Ceramic Pcl (DCC TB) - BUY, Price Bt2.72, TP Bt3.20**Results Comment**

Saksid Phadthanarak | Email: saksid.pha@thanachartsec.co.th

Stronger-than-expected 4Q22 results

- DCC reported normalized earnings of Bt342m in 4Q22, down 12% y-y but up 6% q-q. The results were higher than what we had expected. The earnings fall year on year was mainly due to higher production costs while the earnings growth quarter on quarter was due to lower tax expenses.
- We maintain a BUY on DCC as we expect 1) a gradual recovery of ceramic tile demand in 2H23F driven by improving economic situations and 2) lower gas costs this year and electricity costs next year to improve its margin. We also see its valuation as attractive at 16x PE this year and 15x next year vs. vs. its average of 20x during 2015-22.
- It also announces the change in the payout ratio policy from the minimum of 70% to 40% as it plans to spend the capex of Bt1bn a year in the next three years for the land acquisitions and store renovations. Assuming a 40% payout ratio, we estimate its yield of 2.6% this year and 2.8% next year.
- DCC's revenue in 4Q22 fell 2% y-y. Despite a fall in its sales volume by 11% y-y in 4Q22, its average selling prices increased by 8% y-y.
- A rise in gas and electricity prices (40% of the total production costs) caused its gross margin to fall to 40% in 4Q22 compared to 43% in 4Q21.
- Other income fell by 44% y-y mainly due to lower rental income as DCC has lost some tenants since 2Q22.
- Key risk: Fluctuations in gas prices and the economic volatility present major risks to our earnings projections.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Revenue	1,969	2,395	2,126	1,895	1,926	Revenue	2	(2)	101	8,342	8,384
Gross profit	846	1,059	929	779	767	Gross profit	(2)	(9)	103	3,536	3,558
SG&A	382	411	399	387	376	SG&A	(3)	(2)	98	1,572	1,626
Operating profit	464	649	530	392	392	Operating profit	(0)	(16)	107	1,963	1,931
EBITDA	628	805	688	548	545	EBITDA	(1)	(13)	104	2,587	2,648
Other income	23	23	15	13	13	Other income	(6)	(44)	96	64	71
Other expense	0	0	0	0	0	Other expense					
Interest expense	4	4	4	5	7	Interest expense	41	91	95	19	20
Profit before tax	483	668	542	401	398	Profit before tax	(1)	(18)	107	2,009	1,981
Income tax	95	134	109	78	54	Income tax	(31)	(43)	100	376	396
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	(0)	(0)	(0)	(0)	(1)	Minority interests	na	na	na	(2)	(3)
Extraordinary items	0	0	0	0	0	Extraordinary items					
Net profit	388	534	433	322	342	Net profit	6	(12)	109	1,631	1,582
Normalized profit	388	534	433	322	342	Normalized profit	6	(12)	109	1,631	1,582
EPS (Bt)	0.04	0.06	0.05	0.04	0.04	EPS (Bt)	6	(12)	109	0.18	0.17
Normalized EPS (Bt)	0.04	0.06	0.05	0.04	0.04	Normalized EPS (Bt)	6	(12)	109	0.18	0.17

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash & ST investment	58	62	65	51	40	Sales grow th	4.5	(0.8)	(2.4)	3.3	(2.2)
A/C receivable	164	218	166	152	144	Operating profit grow th	7.6	8.1	(3.6)	(11.1)	(15.6)
Inventory	2,273	2,195	2,413	2,627	2,604	EBITDA grow th	3.3	4.5	(4.3)	(10.1)	(13.2)
Other current assets	10	10	10	10	10	Norm profit grow th	7.2	8.3	(4.6)	(12.1)	(11.7)
Investment	0	0	0	0	0	Norm EPS grow th	(3.7)	(2.7)	(4.6)	(12.1)	(11.7)
Fixed assets	5,866	5,822	5,775	5,811	5,905	Gross margin	43.0	44.2	43.7	41.1	39.8
Other assets	571	593	610	676	683	Operating margin	23.6	27.1	24.9	20.7	20.3
Total assets	8,943	8,899	9,039	9,327	9,386	EBITDA margin	31.9	33.6	32.3	28.9	28.3
S-T debt	1,250	515	1,100	1,610	1,570	Norm net margin	19.7	22.3	20.3	17.0	17.8
A/C payable	922	1,347	1,027	886	809	D/E (x)	0.2	0.1	0.2	0.3	0.3
Other current liabilities	278	412	350	206	268	Net D/E (x)	0.2	0.1	0.2	0.3	0.3
L-T debt	0	0	0	0	0	Interest coverage (x)	176.5	230.1	195.1	113.6	80.2
Other liabilities	656	664	670	730	729	Interest rate	1.2	1.6	1.7	1.4	1.7
Minority interest	43	43	43	44	45	Effective tax rate	19.7	20.0	20.1	19.5	13.7
Shareholders' equity	5,794	5,918	5,848	5,851	5,965	ROA	17.6	24.0	19.3	14.0	14.6
Working capital	1,515	1,066	1,552	1,893	1,939	ROE	26.8	36.5	29.4	22.0	23.2
Total debt	1,250	515	1,100	1,610	1,570						
Net debt	1,192	453	1,035	1,559	1,530						

Sources: Company data, Thanachart estimates

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