

22 November 2011

Amata Corporation

Property
(Industrial)
Underweight

Doubts about land sales

Investment thesis: Although COO, Mr Viboon Kromadit, painted a very bullish view at the Opportunity Day yesterday, we remain cautious about the scope for industrial land sales in FY12. We don't expect land sales to be as strong for the next couple of years as they will be in FY11. The current FY12 PER of 9.8x (0.9SD below its long-term mean) is justified, we think—profit will peak next year, then trend downward for a few years. We won't wait for peak earnings in mid 2012. Our SELL rating stands with a YE12 target price of Bt10.60.

Management is very bullish: Viboon reaffirmed that the FY11 land sales target of 1,500 rai will be achieved, even though AMATA has sold only 954 rai YTD and has letters of intent for only around 300 rai. He claimed that all the potential customers who had delayed signing contracts in 3Q11 would ink them by year-end. Moreover, he said the FY12 outlook is even better—the firm eyes 1,800 rai in sales. Viboon believes the Ayudhya and Pathumthani inundations will prompt both new investments and relocations to AMATA's estates.

But we think differently: We expect only 1,000-1,100 rai to be sold this year, as we don't think all the letters of intent will result in signed contracts by Dec 31. We also don't anticipate that FY12 land sales next year will exceed FY11 sales, as the automotive industry—AMATA's major land buyer—is entering a CAPEX down-cycle. Moreover, the global slowdown will discourage new investment.

Skeptical about relocation theme: Although we agree with management that the flooding will tend to redirect new investments to AMATA's estates, we expect only some industries to shift. The food and electronics industries will probably prefer to stay in Ayudhya and Pathumthani, due to advantages like supply chains, labor, access to fresh water and ease-of-distribution to northern and northeastern Thailand. We also do not believe in a broad relocation theme because prevention costs would be much lower than relocation costs.

Earnings outlook: Similarly to 3Q11, there will be further delays to the transfer of title deeds in 4Q11, so earnings will remain weak. We expect a recovery in 1H12 and the bottom-line should peak in 3Q12, based on our estimated transfer schedule.

BUALUANG RESEARCH

Chaiyatorn Sricharoen, CFA
chaiyatorn@bualuang.co.th
+66 2 618 1344

SELL (maintained)

Target Price: Bt10.60
Price (21/11/11): Bt10.50
AMATA TB / AMAT.BK

Key Ratios & Statistics

Market cap	Bt11.20bn
12-mth price range	Bt8.00/Bt16.40
3-mth avg daily volume	Bt68.28m
# of shares (m)	1,067.0
Est. free float (%)	67.7
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(3.4)	(20.4)	(23.7)
Absolute	1.9	(30.0)	(29.1)

Financial summary

FY Ended 31 Dec	2010	2011E	2012E	2013E
Revenues (Btm)	3,553	3,041	4,439	5,020
Net profit (Btm)	957	653	1,148	1,104
EPS (Bt)	0.90	0.61	1.08	1.03
BLS/Consensus (x)	n.a.	0.86	1.00	0.85
EPS growth (%)	+157.2%	-31.7%	+75.7%	-3.9%
Core profit (Btm)	880	553	1,148	1,104
Core EPS (Bt)	0.82	0.52	1.08	1.03
Core EPS growth (%)	+247.9%	-37.1%	+107.5%	-3.9%
PER (x)	11.7	17.1	9.8	10.2
Core PER (x)	12.7	20.2	9.8	10.2
EV/EBITDA (x)	10.3	12.9	7.7	7.6
PBV (x)	2.1	1.9	1.7	1.5
Dividend (Bt)	0.30	0.25	0.45	0.45
Dividend yield (%)	2.9	2.4	4.3	4.3
ROE (%)	17.5	11.7	18.5	15.8
Net gearing (x)	0.7	0.8	0.6	0.5

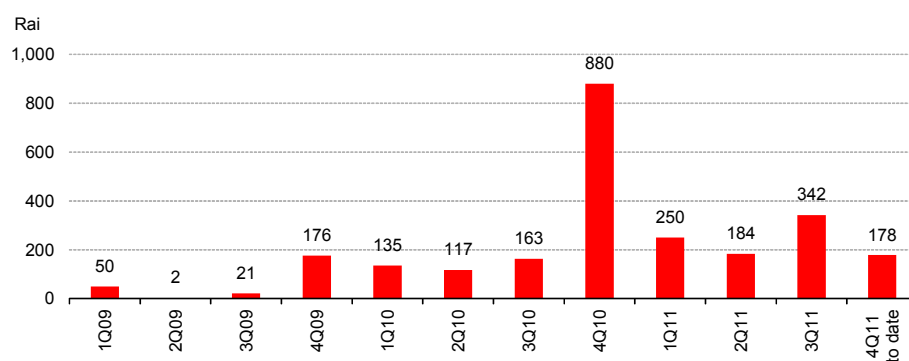
CG Rating - 2010



Company profile

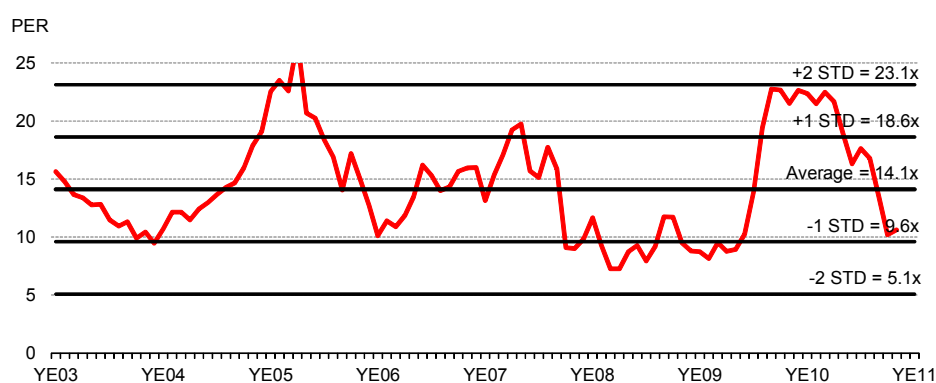
Amata Corporation (AMATA) is Thailand's leading industrial estate developer. It currently has two industrial estates in Thailand and one in Vietnam. The company also provides a range of industrial utilities, such as power, water, and natural gas, as well as facilities and services such as education, residential, health clinics, restaurants, etc.

Figure 1: AMATA's land sales



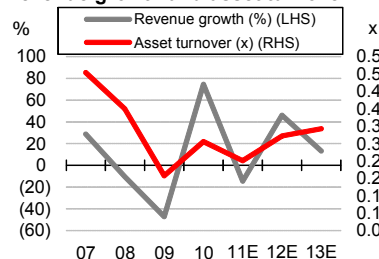
Sources: Company data, Bualuang Research

Figure 2: 12m forward PER band

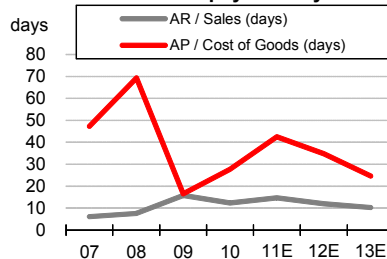


Sources: Company data, Bualuang Research estimates

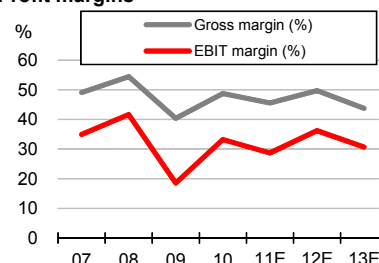
Revenue growth and asset turnover



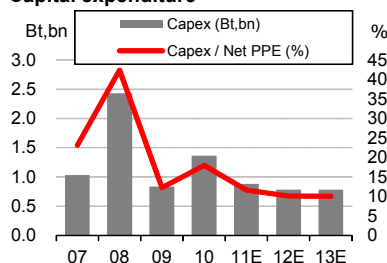
A/C receivable & A/C payable days



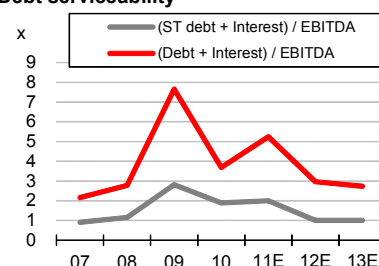
Profit margins



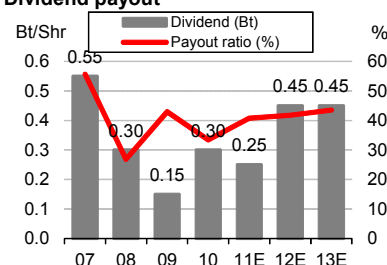
Capital expenditure



Debt serviceability



Dividend payout



Financial tables

PROFIT & LOSS (Btm)					
	2009	2010	2011E	2012E	2013E
Revenue	2,035	3,553	3,041	4,439	5,020
Cost of sales and services	(1,213)	(1,820)	(1,654)	(2,231)	(2,825)
Gross profit	822	1,732	1,387	2,208	2,195
SG&A	(446)	(551)	(514)	(601)	(654)
EBIT	376	1,181	873	1,607	1,541
Interest expense	(256)	(239)	(274)	(298)	(268)
Other income/exp.	195	90	165	167	169
EBT	316	1,032	764	1,476	1,442
Corporate tax	(44)	(173)	(202)	(295)	(274)
After-tax profit (loss)	271	859	561	1,181	1,168
Minority interest	(101)	(106)	(154)	(178)	(215)
Equity earnings from affiliates	83	127	146	146	151
Extra items	119	78	100	0	0
Net profit (loss)	372	957	653	1,148	1,104
Reported EPS	0.35	0.90	0.61	1.08	1.03
Fully diluted EPS	0.35	0.90	0.61	1.08	1.03
Core net profit	253	880	553	1,148	1,104
Core EPS	0.24	0.82	0.52	1.08	1.03
EBITDA	798	1,500	1,284	2,047	2,010
KEY RATIOS					
	2009	2010	2011E	2012E	2013E
Revenue growth (%)	(47.3)	74.6	(14.4)	46.0	13.1
Gross margin (%)	40.4	48.8	45.6	49.7	43.7
EBITDA margin (%)	39.2	42.2	42.2	46.1	40.0
Operating margin (%)	18.5	33.2	28.7	36.2	30.7
Net margin (%)	18.3	27.0	21.5	25.9	22.0
Core profit margin (%)	12.4	24.8	18.2	25.9	22.0
ROA (%)	2.9	6.9	4.3	7.0	6.4
ROCE (%)	3.2	8.1	5.4	8.7	8.2
Asset turnover (x)	0.2	0.3	0.2	0.3	0.3
Current ratio (x)	2.3	1.2	1.5	1.8	1.9
Gearing ratio (x)	0.9	0.9	1.0	0.8	0.6
Interest coverage (x)	1.5	4.9	3.2	5.4	5.7
BALANCE SHEET (Btm)					
	2009	2010	2011E	2012E	2013E
Cash & Equivalent	1,038	1,099	1,081	1,216	1,187
Accounts receivable	88	121	123	146	140
Inventory	4,035	4,113	5,075	5,304	5,562
PP&E-net	6,846	7,588	7,610	7,742	7,850
Other assets	1,406	1,460	1,964	2,380	2,796
Total assets	13,412	14,381	15,852	16,788	17,537
Accounts payable	55	138	193	213	191
ST debts & current portion	1,992	2,596	2,293	1,763	1,757
Long-term debt	3,861	2,707	4,156	4,012	3,474
Other liabilities	1,272	2,831	2,676	3,276	3,839
Total liabilities	7,181	8,271	9,317	9,264	9,260
Paid-up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Retained earnings	4,213	4,194	4,527	5,409	6,032
Shareholders' equity	5,518	5,441	5,774	6,656	7,279
Minority interests	713	669	761	868	997
Total Liab.&Shareholders' equity	13,412	14,381	15,852	16,788	17,537
CASH FLOW (Btm)					
	2009	2010	2011E	2012E	2013E
Net income	372	957	653	1,148	1,104
Depreciation and amortization	227	228	246	273	300
Change in working capital	554	1,058	(1,390)	(232)	(275)
FX, non-cash adjustment & others	(350)	(2)	457	597	579
Cash flows from operating activities	803	2,242	(35)	1,787	1,707
Capex (Invest)/Divest	(837)	(1,365)	(883)	(784)	(787)
Others	105	186	73	73	75
Cash flows from investing activities	(732)	(1,179)	(810)	(711)	(712)
Debt financing (repayment)	523	(552)	1,146	(674)	(544)
Equity financing	0	0	0	0	0
Dividend payment	(198)	(299)	(320)	(267)	(480)
Cash flows from financing activities	325	(851)	826	(940)	(1,024)
Net change in cash	396	213	(18)	135	(29)
Free cash flow (Btm)	(34)	877	(918)	1,003	920
FCF per share (Bt)	(0.03)	0.82	(0.86)	0.94	0.86

Sources: Company data, Bualuang Research estimates

		Financial tables				
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)				
		3Q10	4Q10	1Q11	2Q11	3Q11
Revenue (Bt,bn) (LHS)		666	1,604	550	878	652
Revenue growth (% YoY)		(349)	(786)	(280)	(498)	(367)
Gross profit		317	819	270	380	286
SG&A		(106)	(253)	(102)	(135)	(113)
EBIT		211	565	168	246	172
Interest expense		(61)	(59)	(60)	(69)	(76)
Other income/exp.		21	26	53	43	33
EBT		171	532	161	220	129
Corporate tax		(15)	(99)	(68)	(42)	(38)
After-tax profit (loss)		156	433	93	177	91
Minority interest		(14)	(35)	(26)	(50)	(38)
Equity earnings from affiliates		46	32	45	40	20
Extra items		78	0	0	0	100
Net profit (loss)		266	430	112	168	174
Reported EPS		0.25	0.40	0.11	0.16	0.16
Fully diluted EPS		0.25	0.40	0.11	0.16	0.16
Core net profit		188	430	112	168	74
Core EPS		0.18	0.40	0.11	0.16	0.07
EBITDA		286	652	267	338	0
Revenue trend (accumulated)		KEY RATIOS				
		3Q10	4Q10	1Q11	2Q11	3Q11
Accum. Revenue (Bt,bn)		47.6	51.0	49.1	43.3	43.8
% of FY Revenue		43.0	40.7	48.7	38.5	0.0
Operating margin (%)		31.7	35.2	30.5	28.0	26.4
Net margin (%)		40.0	26.8	20.4	19.1	26.6
Core profit margin (%)		28.3	26.8	20.4	19.1	11.3
BV (Bt)		5.73	5.73	5.80	5.85	6.01
ROE (%)		19.7	31.6	8.1	12.1	12.2
ROA (%)		8.2	12.0	3.0	4.3	4.1
Current ratio (x)		1.7	1.2	1.2	1.3	0.0
Gearing ratio (x)		0.9	0.9	0.8	0.9	1.0
Interest coverage (x)		3.4	9.5	2.8	3.6	2.3
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)				
		3Q10	4Q10	1Q11	2Q11	3Q11
Accum. Profit (Bt,m)		708	1,099	1,191	1,207	1,297
% of FY Profit		123	121	118	210	89
Accounts receivable		4,176	4,113	4,234	4,241	5,075
Inventory		6,764	7,588	7,898	8,204	8,091
PP&E-net		1,193	1,460	1,330	1,688	2,312
Other assets		12,964	14,381	14,771	15,549	16,863
Total assets		87	138	95	181	188
Accounts payable		2,724	2,596	2,369	2,513	3,047
ST debts & current portion		2,833	2,707	2,591	2,957	3,416
Long-term debt		1,208	2,831	3,524	3,659	3,796
Other liabilities		6,852	8,271	8,579	9,310	10,447
Total liabilities		1,067	1,067	1,067	1,067	1,067
Paid-up capital		173	174	174	174	174
Share premium		4,143	4,194	4,297	4,305	4,478
Retained earnings		5,386	5,441	5,514	5,536	5,707
Shareholders equity		725	669	678	703	709
Minority interests		12,963	14,381	14,771	15,549	16,863
Total Liab.&Shareholders' equity						
Gross profit margin						
FY GPM (%)						
Gross margin (%)						

Sources: Company data, Bualuang Research

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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.