

Amata Corporation

AMATA TB / AMAT.BK

10 October 2013

Concerns about weak presales; switch to HEMRAJ

Investment thesis

Flooding at AMATA Nakorn Industrial Estate (Chonburi Province) has weakened the 4Q13 presales outlook. With the slow YTD land bookings of only 664 rai, we think the firm is unlikely to achieve its full-year presales target of 3,000 rai. As such, we have cut our FY13 presales assumption, which caused our FY14 earnings forecast to dive 31%. We have also rolled over our investment horizon to YE14 with a new target price of Bt16.70 (our YE13 target was Bt24). We recommend switching to HEMRAJ (YE14 target price of Bt4.6), due to its stronger presales outlook.

Flooding at AMATA Nakorn casts doubt over FY13 presales

Flood waters of 10-15 cm deep cover parts of Amata Nakorn Industrial Estate (phases 7-9), according to the *Bangkok Post*. The newspaper quoted Mr Viboon Krommadit, CEO of AMATA, as saying that all factories in the estate are operating normally, but if the situation were to worsen, AMATA would signal to its clients to evacuate. Although the flooding is only minor, it might generate concerns about the viability of running a factory in the estate—traffic congestion has disrupted production to some extent (workers have had trouble getting to their jobs and transporting raw materials and finished products is proving a headache). Such concerns may impact on land bookings.

Presales should miss our estimate; FY14 earnings cut

AMATA's YTD land presales total only 664 rai against an FY13 target of 3,000 rai. Both the firm and the consensus appear to have pinned their hopes on 4Q13 presales, which now look likely to be discouraged by the flooding at Amata Nakorn. As such, the target no longer appears to be achievable. We have cut our FY13 land booking assumption to 1,700 rai, from 2,500 rai previously. We have also revised down our equity income estimate from Bt131m to Bt61m, as Amata B.Grimm Power Co Ltd sold future cash flows for two gas power plants to ABPIF in Sept. As such, our FY14 net profit forecast dives 31% to Bt1.3bn (it was Bt1.9bn).

Recommend switching to HEMRAJ

The presales outlook for HEMRAJ is much more robust—it reported 9M13 presales of 1,857 rai against an FY13 target of 2,100 rai. Moreover, the firm would be a major beneficiary of the eco-car phase 2 program if a major customer (Ford) were to apply to participate in it. As the Board of Investment has set a minimum investment criteria of Bt6.5bn for eco-car phase 2, a huge investment would be expected. HEMRAJ would stand to benefit from the expansion of Ford's supply chain. In the meantime, the stock is cheap—an FY14 core PER of 10x against a long-term average core PER of 16x. SELL AMATA, BUY HEMRAJ.

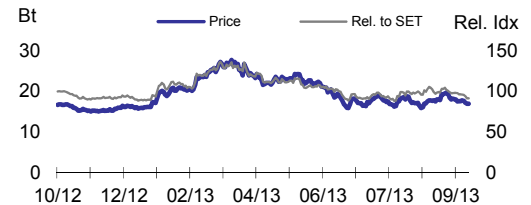
Sector: Property (Industrial) Neutral

Rating: SELL

Target Price: Bt16.70

Price (9 October 2013): Bt17.00

Price chart

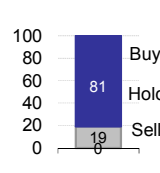


Share price perf. (%)	1M	3M	12M
Relative to SET	(7.5)	(0.2)	(11.6)
Absolute	(4.5)	2.4	(0.6)

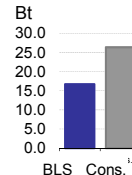
Key statistics

Market cap	Bt18.1bn	USD0.6bn
12-mth price range	Bt15.0/Bt28.0	
12-mth avg daily volume	Bt165m	USD5.2m
# of shares (m)	1,067	
Est. free float (%)	66.9	
Foreign limit (%)	49.0	

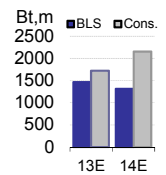
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2012	2013E	2014E	2015E
Revenues (Btm)	5,308	7,443	5,709	5,376
Net profit (Btm)	1,445	1,462	1,311	1,198
EPS (Bt)	1.35	1.37	1.23	1.12
EPS growth (%)	+60.4%	+1.2%	-10.3%	-8.6%
Core profit (Btm)	1,028	1,462	1,311	1,198
Core EPS (Bt)	0.96	1.37	1.23	1.12
Core EPS growth (%)	+28.5%	+42.2%	-10.3%	-8.6%
PER (x)	12.0	12.6	14.0	15.3
PBV (x)	2.0	1.9	1.8	1.7
Dividend (Bt)	0.7	0.7	0.6	0.6
Dividend yield (%)	4.2	4.0	3.6	3.3
ROE (%)	19.0	19.6	16.8	14.8

CG rating



Jindarat Laotaveerungsawat

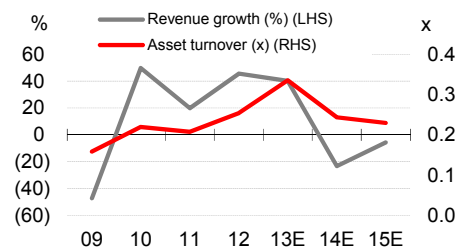
jindarat@bualuang.co.th

+66 2 618 1348

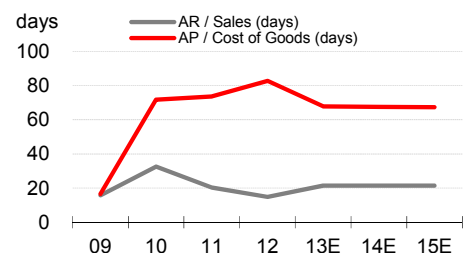
AMATA : Financial Tables – Year

PROFIT & LOSS (Btm)					
Revenue	3,648	5,308	7,443	5,709	5,376
Cost of sales and services	(1,888)	(2,606)	(3,967)	(2,973)	(2,843)
Gross profit	1,760	2,702	3,476	2,736	2,533
SG&A	(620)	(905)	(1,265)	(659)	(648)
EBIT	1,139	1,797	2,210	2,077	1,885
Interest expense	(293)	(397)	(380)	(393)	(353)
Other income/exp.	176	228	372	285	269
EBT	1,022	1,628	2,203	1,970	1,801
Corporate tax	(215)	(440)	(441)	(394)	(360)
After-tax net profit (loss)	807	1,189	1,762	1,576	1,441
Minority interest	(143)	(280)	(424)	(325)	(306)
Equity earnings from affiliates	137	120	124	61	64
Extra items	100	416	0	0	0
Net profit (loss)	901	1,445	1,462	1,311	1,198
Reported EPS	0.84	1.35	1.37	1.23	1.12
Fully diluted EPS	0.84	1.35	1.37	1.23	1.12
Core net profit	801	1,028	1,462	1,311	1,198
Core EPS	0.75	0.96	1.37	1.23	1.12
EBITDA	1,517	2,136	2,904	2,719	2,540
KEY RATIOS					
Revenue growth (%)	19.7	45.5	40.2	(23.3)	(5.8)
Gross margin (%)	48.2	50.9	46.7	47.9	47.1
EBITDA margin (%)	41.6	40.2	39.0	47.6	47.2
Operating margin (%)	36.1	38.2	34.7	41.4	40.1
Net margin (%)	24.7	27.2	19.6	23.0	22.3
Core profit margin (%)	21.9	19.4	19.6	23.0	22.3
ROA (%)	5.1	6.9	6.6	5.6	5.1
ROCE (%)	6.3	8.7	8.5	7.1	6.5
Asset turnover (x)	0.2	0.3	0.3	0.2	0.2
Current ratio (x)	1.3	1.5	1.3	1.4	1.3
Gearing ratio (x)	0.7	0.8	0.9	0.8	0.7
Interest coverage (x)	5.2	5.4	7.6	6.9	7.2
BALANCE SHEET (Btm)					
Cash & Equivalent	1,543	2,033	3,004	4,423	3,371
Accounts receivable	203	217	438	335	315
Inventory	5,261	6,701	7,213	5,406	5,686
PP&E-net	6,510	7,503	8,181	8,825	9,438
Other assets	7,231	4,562	4,576	4,549	4,544
Total assets	20,749	21,015	23,412	23,539	23,354
Accounts payable	381	591	737	550	524
ST debts & current portion	3,087	1,973	3,809	3,306	3,049
Long-term debt	4,147	5,109	4,793	4,955	4,454
Other liabilities	3,315	4,435	4,435	4,435	4,435
Total liabilities	10,930	12,108	13,775	13,246	12,463
Paid-up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Retained earnings	6,556	5,934	6,241	6,571	6,863
Shareholders equity	7,891	7,321	7,628	7,958	8,251
Minority interests	1,928	1,585	2,009	2,335	2,641
Total Liab.&Shareholders' equity	20,749	21,015	23,412	23,539	23,354
CASH FLOW (Btm)					
Net income	901	1,445	1,462	1,311	1,198
Depreciation and amortization	202	110	322	356	386
Change in working capital	91	518	(1,422)	962	(994)
FX, non-cash adjustment & others	428	712	820	787	713
Cash flows from operating activities	1,621	2,785	1,183	3,416	1,304
Capex (Invest)/Divest	(2,622)	(2,389)	(1,000)	(1,000)	(1,000)
Others	(270)	603	0	0	0
Cash flows from investing activities	(2,892)	(1,785)	(1,000)	(1,000)	(1,000)
Debt financing (repayment)	1,932	(152)	1,520	(342)	(758)
Equity financing	0	0	0	0	0
Dividend payment	(160)	(693)	(731)	(656)	(599)
Others	(270)	603	0	0	0
Cash flows from financing activities	1,676	(742)	789	(997)	(1,356)
Net change in cash	406	257	972	1,419	(1,053)
Free cash flow (Btm)	(1,001)	396	183	2,416	304
FCF per share (Bt)	(0.9)	0.4	0.2	2.3	0.3
Key assumptions					
Land sales (rai)	1,563	2,835	1,684	1,200	1,000
Land revenue (Btm)	2,416	3,795	5,797	3,962	3,572
Utility sales (Btm)	832	1,070	1,117	1,186	1,244
Land margin	55.8%	55.3%	54.3%	54.3%	54.3%
Utility margin	16.5%	18.0%	16.6%	16.6%	16.6%

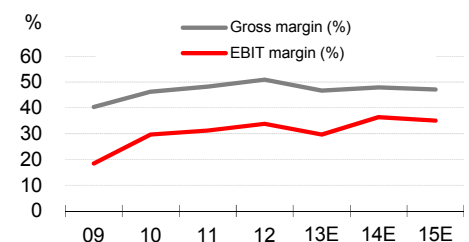
Revenue growth and asset turnover



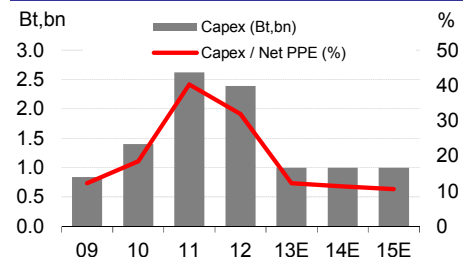
A/C receivable & A/C payable days



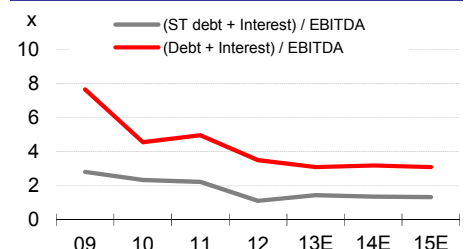
Profit margins



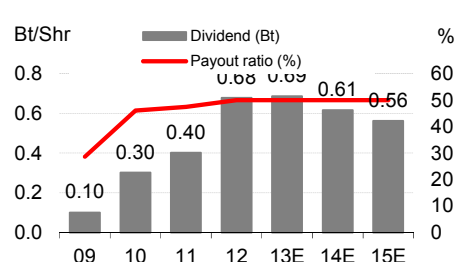
Capital expenditure



Debt serviceability



Dividend payout



AMATA : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q12	3Q12	4Q12	1Q13	2Q13
Revenue	1,200	1,334	1,593	1,131	2,015
Cost of sales and services	(665)	(642)	(793)	(676)	(873)
Gross profit	536	692	799	455	1,142
SG&A	(227)	(229)	(285)	(248)	(290)
EBIT	309	463	514	206	852
Interest expense	(94)	(95)	(106)	(85)	(82)
Other income/exp.	69	52	66	43	52
EBT	283	420	474	164	822
Corporate tax	(54)	(94)	(218)	(23)	(76)
After-tax net profit (loss)	229	325	257	141	746
Minority interest	(66)	(79)	(34)	(60)	(105)
Equity earnings from affiliates	22	33	30	49	43
Extra items	0	108	308	0	0
Net profit (loss)	186	388	561	131	684
Reported EPS	0.69	1.43	2.07	0.48	2.52
Fully diluted EPS	0.65	1.36	1.96	0.46	2.39
Core net profit	186	280	253	131	684
Core EPS	0.65	0.98	0.88	0.46	2.39
EBITDA	439	582	507	310	969

KEY RATIOS

Gross margin (%)	44.6	51.9	50.2	40.2	56.7
EBITDA margin (%)	36.6	43.6	31.9	27.4	48.1
Operating margin (%)	31.4	38.6	36.4	22.1	44.8
Net margin (%)	15.5	29.1	35.2	11.6	34.0
Core profit margin (%)	15.5	21.0	15.9	11.6	34.0
BV (Bt)	26.4	31.3	32.9	33.5	35.0
ROE (%)	12.0	23.6	31.3	7.1	35.9
ROA (%)	3.8	7.4	10.4	2.5	12.5
Current ratio (x)	1.4	1.4	1.5	1.4	1.5
Gearing ratio (x)	1.0	0.9	0.8	0.8	0.8
Interest coverage (x)	4.7	6.1	4.8	3.6	11.9

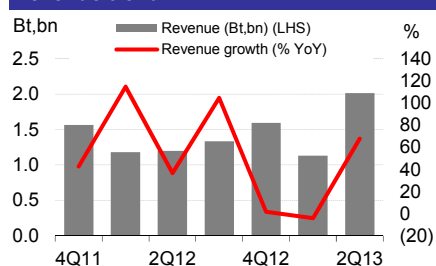
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,682	1,766	1,784	1,626	1,870
Accounts receivable	258	296	217	261	327
Inventory	6,153	6,670	6,701	6,750	6,883
PP&E-net	3,401	4,745	1,055	1,094	1,146
Other assets	8,134	8,534	11,258	11,799	12,198
Total assets	19,627	22,012	21,015	21,530	22,424
Accounts payable	438	522	591	552	585
ST debts & current portion	2,696	2,487	1,973	1,791	2,092
Long-term debt	4,629	5,220	5,109	5,106	5,437
Other liabilities	4,701	5,302	4,435	5,010	4,823
Total liabilities	12,464	13,531	12,108	12,460	12,937
Paid-up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Retained earnings	4,814	5,669	5,934	6,122	6,428
Shareholders equity	6,147	7,006	7,321	7,437	7,809
Minority interests	1,016	1,475	1,585	1,633	1,677
Total Liab.&Shareholders' equity	19,627	22,012	21,015	21,530	22,424

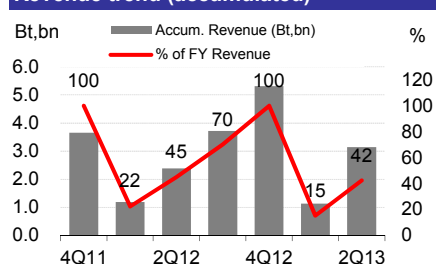
Key Statistics

	2Q12	3Q12	4Q12	1Q13	2Q13
Land sales (rai)	273	244	1,510	40	310
Land revenue (Btm)	843	936	1,182	709	1,568
Utility sales (Btm)	252	275	302	297	311
Land margin	49.5%	58.9%	49.5%	40.2%	61.4%
Utility margin	19.3%	16.6%	12.7%	29.0%	27.2%

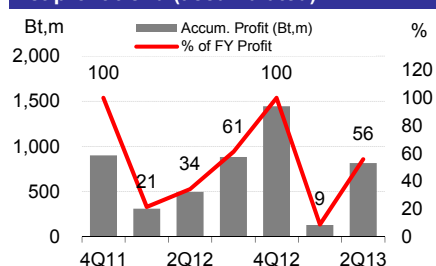
Revenue trend



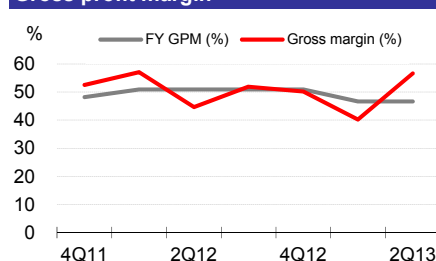
Revenue trend (accumulated)



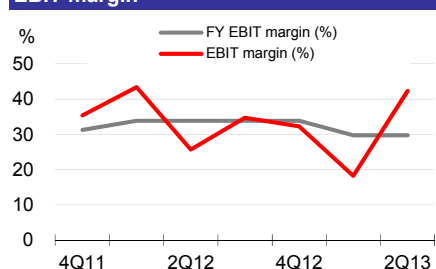
Net profit trend (accumulated)



Gross profit margin



EBIT margin



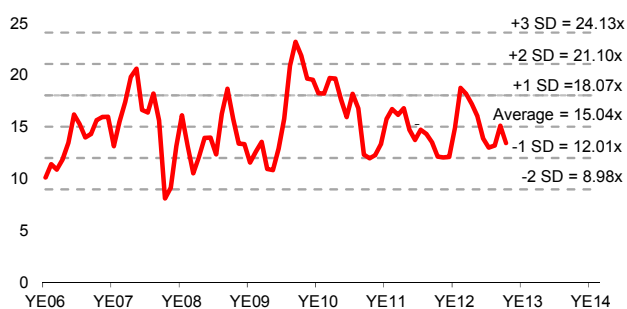
Company profile

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, etc.

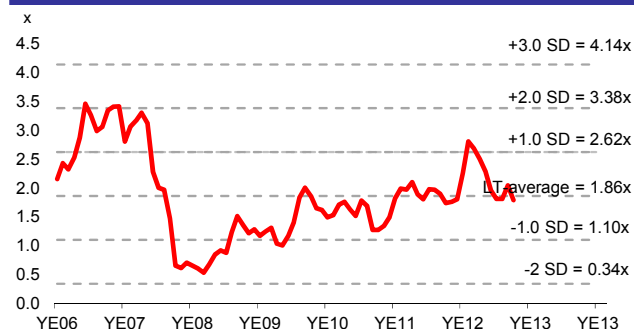
Sector Comparisons

	Bloomberg	Price	Market Cap	PER (x)	EPS Growth (%)	PBV (x)	ROE (%)	Div Yield (%)	
	Code	(local curr.)	(US\$ equivalent)	2013E	2014E	2013E	2014E	2013E	2014E
Amata Corporation	AMATA TB	THB17.00	577	12.4	13.8	12	-10.3	19	18
Hemaraj Land and Development	HEMRAJ TB	THB3.46	1068	10.6	9.8	37.7	8.3	2.7	2.3
Rojana Industrial Park	ROJNA TB	THB8.00	363	8.6	9.3	25.1	-8.0	11	11
Ticon Industrial Connection	TICON TB	THB17.60	511	8.7	16.6	73.7	-47.9	2.1	2.0
Simple average				10.1	12.4	34.4	-14.5	1.9	1.8
								23.8	18.4
								5.6	4.5

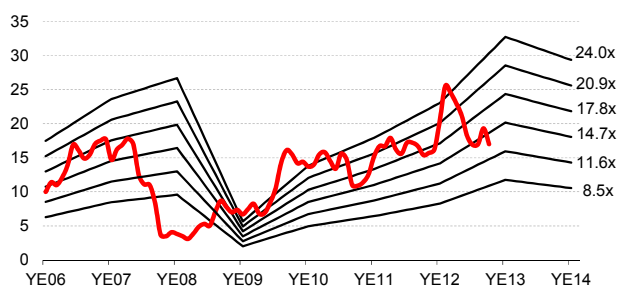
PER band versus SD (next 12 months)



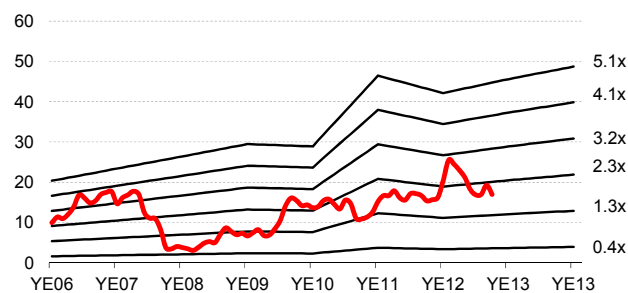
PBV band versus SD (next 12 months)



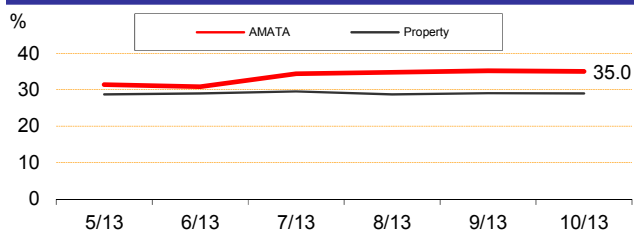
PER band and share price



PBV band and share price



Foreign holding



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DWs Underlying Stocks	Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
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Score Range

90 – 100
80 – 89
70 – 79
60 – 69
50 – 59
Below 50

Score Range

Description

Excellent
Very Good
Good
Satisfactory
Pass
N/A

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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.