

Amata Corporation

AMATA TB /AMATA.BK

16 November 2015

Backlog depletion still looms despite big surprise in third-quarter results

Net profit above estimate, presales as expected

AMATA posted a net profit of Bt457m for 3Q15, up 349% QoQ and 232% YoY. The result beat the consensus by 69%. Presales for the quarter concluded at 85rai, slightly above our estimate of 82rai.

Results highlights

The presale of 85rai is the lowest for the year, down from 196rai in 2Q15 and 123rai in 3Q14. All presales were from Thai Chinese, whereas no Amata Vietnam presales were booked because of documentation changes in Vietnam during 3Q15, causing a number of Vietnam presales to slip to 4Q15. On the other hand, land transfers increased significantly (288% QoQ and 335% YoY) to Bt1.2bn or 259rai, of which 108 were Nakorn and 151 Thai Chinese. Overall GM improved to 52% (from 42% in 2Q15) as a result of more transfers of the higher-margin Nakorn land. Utilities continued to post strong income of Bt365m, while rental income decreased 28% as a result of REIT divestment last quarter. Income from power plants suffered a loss of Bt6m due to unrealized FX losses associated with projects' debts.

Outlook

As 3Q15 presales slumped back, coupled with the lack of the higher-priced Nakorn presales, AMATA's backlog has been hurt further to Bt1.6bn. As most of the backlog also contains sales from the higher-priced Amata Nakorn, the actual amount of land remaining in its backlog is quite distressing. Additionally, the IPO of AMATA VN looks on schedule for 4Q15; however, its IPO pricing is yet to be concluded. We estimate its market capitalization to be at Bt6bn, however initial IPO reports are indicating a much larger size. For the firm's equity income, assuming no further FX losses, we expect equity income to increase to Bt425m for 2016 as two new SPPs will come online in Nov this year and Jun next year.

What's changed?

We maintain our 2015 land presales and transfer estimate at 700rai and 1,032rai respectively. Presales for 2016 are also maintained at 850rai, however, we revise down our 2016 transfer target to 800rai (from 900rai) on the basis that its backlog is starting to deplete further. As a result, our 2016 NPAT estimate is cut by 6% to Bt1.2bn.

Recommendation

Since land transfers remain at higher rate than presales, backlog depletion will remain a concern for 2016. However, AMATA's price downside is also limited, as its poor outlook has mostly been priced in (see our report on 01 Oct, *Not poised for a full recovery just yet*). Current share price implies a 26% discount to its liquidation value, close to its historical discount of 22%. Thus, we stand by our HOLD rating.

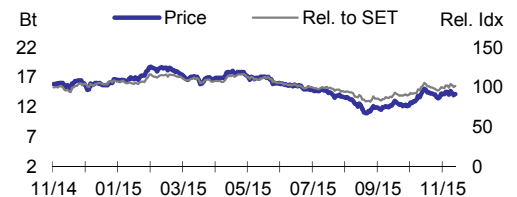
Sector: Property (Industrial)—UNDERWEIGHT

Rating: HOLD

Target Price: Bt13.50

Price (13 November 2015): Bt14.20

Price chart

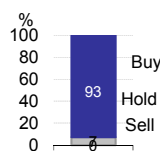


Share price perf. (%)	1M	3M	12M
Relative to SET	3.9	10.6	2.2
Absolute	2.2	8.4	(10.1)

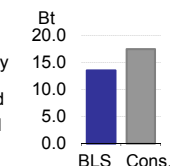
Key statistics

Market cap	Bt15.2bn	USD0.4bn
12-mth price range	Bt10.6/Bt18.9	
12-mth avg daily volume	Bt66m	USD1.8m
# of shares (m)	1,067	
Est. free float (%)	71.1	
Foreign limit (%)	49.0	

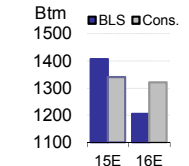
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	7,395	5,671	4,340	4,562
Net profit (Btm)	2,228	1,407	1,205	1,377
EPS (Bt)	2.09	1.32	1.13	1.29
EPS growth (%)	+44.6%	-36.9%	-14.4%	+14.3%
Core profit (Btm)	2,231	1,065	1,205	1,377
Core EPS (Bt)	2.09	1.00	1.13	1.29
Core EPS growth (%)	+50.0%	-52.3%	+13.1%	+14.3%
PER (x)	7.7	10.8	12.6	11.0
PBV (x)	1.4	0.8	0.8	0.8
Dividend (Bt)	0.7	0.4	0.5	0.5
Dividend yield (%)	4.3	2.8	3.2	3.6
ROE (%)	24.2	10.8	7.5	8.3



CG rating

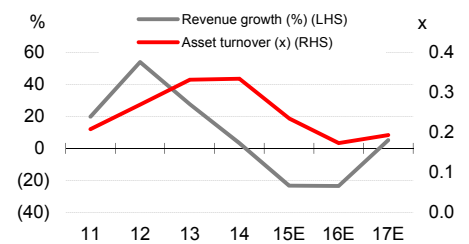
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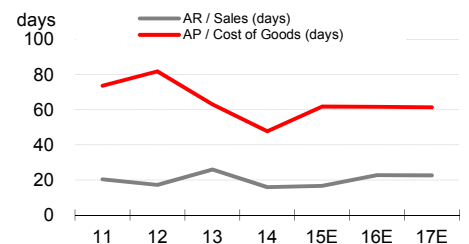
AMATA: Financial Tables – Year

PROFIT & LOSS (Btm)					
Revenue	7,164	7,395	5,671	4,340	4,562
Cost of sales and services	(3,727)	(3,567)	(3,061)	(2,127)	(2,236)
Gross profit	3,437	3,827	2,610	2,213	2,327
SG&A	(1,241)	(1,019)	(1,077)	(738)	(776)
EBIT	2,196	2,808	1,534	1,476	1,551
Interest expense	(350)	(360)	(367)	(433)	(348)
Other income/exp.	342	235	235	235	235
EBT	2,188	2,684	1,402	1,278	1,439
Corporate tax	(359)	(350)	(221)	(256)	(288)
After-tax net profit (loss)	1,829	2,334	1,181	1,023	1,151
Minority interest	(441)	(329)	(273)	(243)	(255)
Equity earnings from affiliates	99	226	157	425	482
Extra items	53	(3)	342	0	0
Net profit (loss)	1,541	2,228	1,407	1,205	1,377
Reported EPS	1.44	2.09	1.32	1.13	1.29
Fully diluted EPS	1.44	2.09	1.32	1.13	1.29
Core net profit	1,487	2,231	1,065	1,205	1,377
Core EPS	1.39	2.09	1.00	1.13	1.29
EBITDA	2,814	3,395	2,349	2,271	1,786
KEY RATIOS					
Revenue growth (%)	27.6	3.2	(23.3)	(23.5)	5.1
Gross margin (%)	48.0	51.8	46.0	51.0	51.0
EBITDA margin (%)	39.3	45.9	41.4	52.3	39.2
Operating margin (%)	35.4	41.2	31.2	39.4	39.2
Net margin (%)	21.5	30.1	24.8	27.8	30.2
Core profit margin (%)	20.8	30.2	18.8	27.8	30.2
ROA (%)	7.1	10.1	5.8	4.8	5.8
ROCE (%)	7.8	10.9	5.6	4.2	5.0
Asset turnover (x)	0.3	0.3	0.2	0.2	0.2
Current ratio (x)	1.5	2.5	2.3	2.8	2.7
Gearing ratio (x)	1.0	0.7	0.6	0.5	0.3
Interest coverage (x)	8.0	9.4	6.4	5.3	5.1
BALANCE SHEET (Btm)					
Cash & Equivalent	1,952	1,997	5,863	2,026	435
Accounts receivable	508	321	257	270	283
Inventory	5,976	8,003	4,359	5,610	5,876
PP&E-net	8,760	6,238	10,159	10,598	11,052
Other assets	5,007	5,577	5,515	5,519	5,523
Total assets	22,203	22,137	26,152	24,023	23,170
Accounts payable	644	466	518	359	376
ST debts & current portion	4,903	3,580	3,899	2,385	2,024
Long-term debt	5,387	4,748	7,461	6,282	4,948
Other liabilities	1,078	1,127	1,077	1,077	1,077
Total liabilities	12,012	9,922	12,956	10,104	8,425
Paid-up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Retained earnings	6,966	8,710	9,418	9,898	10,469
Shareholders' equity	8,318	10,114	15,900	16,380	16,951
Minority interests	1,874	2,101	2,406	2,697	3,004
Total Liab.&Shareholders' equity	22,203	22,137	31,262	29,181	28,380
CASH FLOW (Btm)					
Net income	1,541	2,228	1,407	1,205	1,377
Depreciation and amortization	277	352	579	561	546
Change in working capital	16	(460)	4,411	(739)	369
FX, non-cash adjustment & others	1,002	747	(588)	(688)	(636)
Cash flows from operating activities	2,835	2,867	5,809	338	1,656
Capex (Invest)/Divest	(2,949)	(1,609)	(4,500)	(1,000)	(1,000)
Others	(136)	32	0	0	0
Cash flows from investing activities	(3,085)	(1,577)	(4,500)	(1,000)	(1,000)
Debt financing (repayment)	1,165	(652)	2,982	(2,692)	(1,696)
Equity financing	0	0	0	0	0
Dividend payment	(587)	(480)	(426)	(482)	(551)
Others	(136)	32	0	0	0
Cash flows from financing activities	(444)	(1,378)	2,556	(3,174)	(2,247)
Net change in cash	(695)	(88)	3,866	(3,836)	(1,591)
Free cash flow (Btm)	(114)	1,258	1,309	(662)	656
FCF per share (Bt)	(0.1)	1.2	1.2	(0.6)	0.6
Key assumptions					
Land pre-sales (rai)	1,127	371	700	850	901
Land revenue (Btm)	5,343	5,348	3,665	2,720	2,856
Services revenue (Btm)	1,253	1,359	1,421	1,519	1,580
Land sales margin	53.2%	59.0%	49.1%	49.1%	49.1%
Services margin	16.4%	16.3%	22.6%	16.3%	16.3%

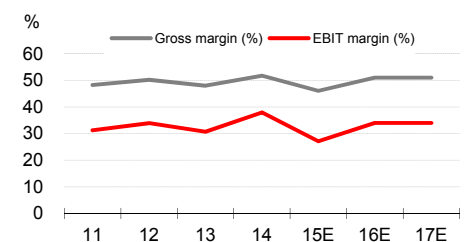
Revenue growth and asset turnover



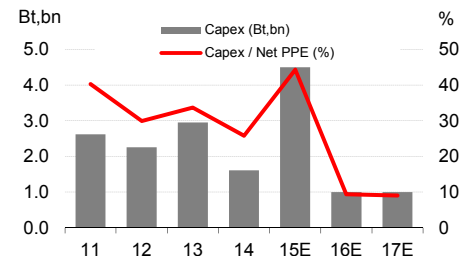
A/C receivable & A/C payable days



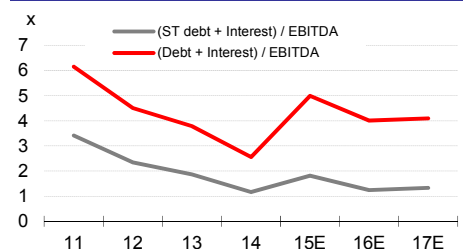
Profit margins



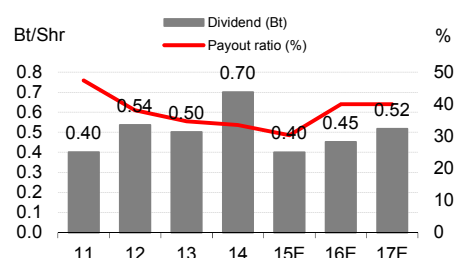
Capital expenditure



Debt serviceability



Dividend payout



AMATA: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q14	4Q14	1Q15	2Q15	3Q15
Revenue	892	3,836	1,186	951	1,709
Cost of sales and services	(516)	(1,623)	(708)	(556)	(828)
Gross profit	376	2,213	478	395	881
SG&A	(170)	(324)	(219)	(235)	(274)
EBIT	207	1,889	259	160	607
Interest expense	(86)	(87)	(84)	(87)	(66)
Other income/exp.	66	61	29	68	105
EBT	186	1,863	204	142	646
Corporate tax	(59)	(120)	(25)	(15)	(133)
After-tax net profit (loss)	127	1,743	180	127	514
Minority interest	(68)	(85)	(93)	(74)	(51)
Equity earnings from affiliates	79	14	47	49	(6)
Extra items	(3)	0	0	342	0
Net profit (loss)	135	1,673	133	444	457
Reported EPS	0.13	1.57	0.12	0.42	0.43
Fully diluted EPS	0.13	1.57	0.12	0.42	0.43
Core net profit	138	1,673	133	102	457
Core EPS	0.13	1.57	0.12	0.10	0.43
EBITDA	273	1,950	288	229	712

KEY RATIOS

Gross margin (%)	42.2	57.7	40.3	41.5	51.5
EBITDA margin (%)	30.6	50.8	24.3	24.0	41.7
Operating margin (%)	30.6	50.8	24.3	24.0	41.7
Net margin (%)	15.1	43.6	11.2	46.6	26.7
Core profit margin (%)	15.4	43.6	11.2	10.7	26.7
BV (Bt)	9.9	11.4	11.6	11.6	11.6
ROE (%)	6.3	71.5	5.2	17.4	17.5
ROA (%)	2.4	29.6	2.4	7.6	7.6
Current ratio (x)	1.8	2.5	2.5	2.4	2.1
Gearing ratio (x)	1.0	0.7	0.7	0.6	0.5
Interest coverage (x)	3.2	22.4	3.4	2.6	10.8

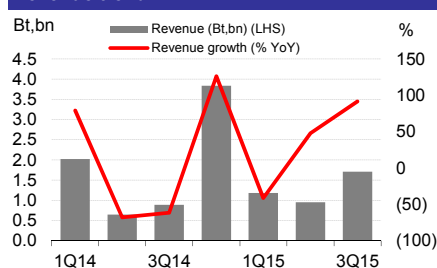
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,091	1,021	1,223	2,906	1,761
Accounts receivable	334	321	428	303	313
Inventory	8,548	8,003	7,710	7,642	7,379
PP&E-net	1,285	1,085	1,080	1,093	1,091
Other assets	11,817	11,706	11,914	12,420	13,230
Total assets	23,075	22,137	22,355	24,364	23,774
Accounts payable	534	466	399	438	690
ST debts & current portion	5,756	3,580	3,664	4,078	3,835
Long-term debt	5,141	4,748	4,833	3,297	2,753
Other liabilities	1,029	1,127	1,084	4,212	4,154
Total liabilities	12,459	9,922	9,979	12,025	11,433
Paid-up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Retained earnings	7,258	8,710	8,843	8,753	9,210
Shareholders equity	8,592	10,114	10,207	10,185	10,671
Minority interests	2,024	2,101	2,169	2,154	1,670
Total Liab.&Shareholders' equity	23,075	22,137	22,355	24,364	23,774

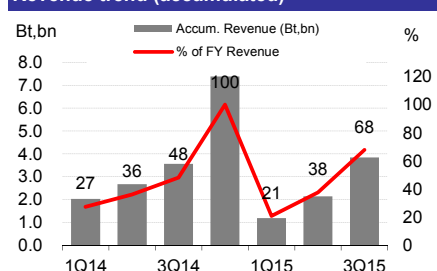
Key Statistics

	3Q14	4Q14	1Q15	2Q15	3Q15
Land pre-sales (rai)	123	41	212	196	85
Land revenue (Btm)	364	3,315	665	423	1,217
Services revenue (Btm)	349	341	342	352	365
Land sales margin	57.6%	62.8%	41.3%	48.4%	58.6%
Services margin	14.4%	5.7%	19.8%	16.6%	22.6%

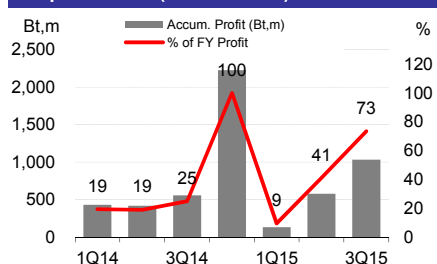
Revenue trend



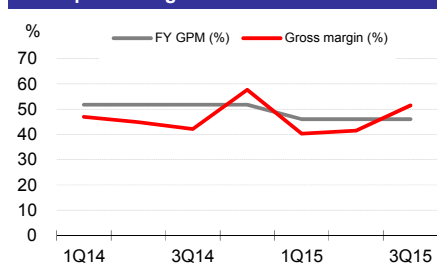
Revenue trend (accumulated)



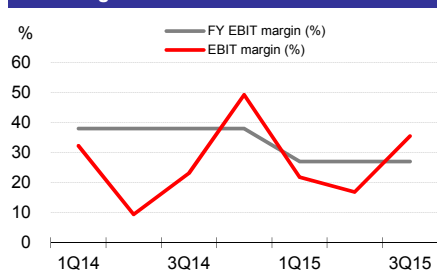
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

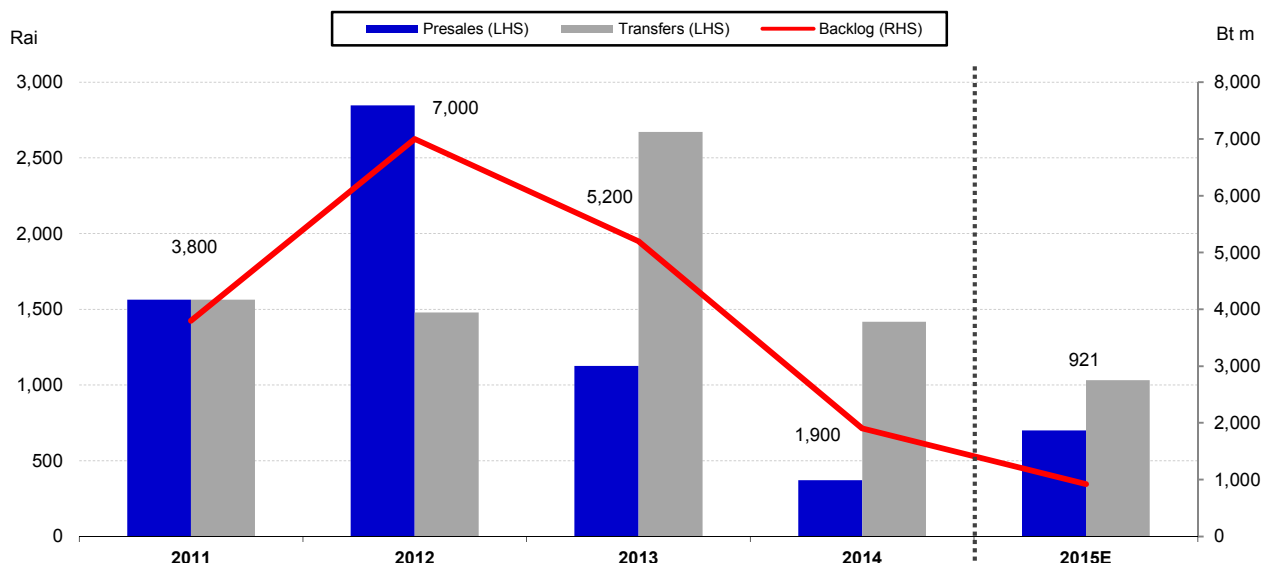
Amata Corporation Public Company Limited (AMATA) develops and manages industrial estates on the Eastern Seaboard of Thailand and in Vietnam. The company, with its subsidiaries, also provides a range of industrial utilities such as power, water, and natural gas.

Figure 1 : 3Q15 results

FY Ended 31 Dec (Btm)	3Q15	3Q14	YoY %	2Q15	QoQ %	9M15	9M14	YoY %
Income Statement								
Revenue	1,709	892	92	951	80	3,846	3,559	8
Cost of sales and services	(828)	(516)	61	(556)	49	(2,093)	(1,945)	8
EBITDA	712	273	161	229		1,229	1,174	
SG&A	(274)	(170)	62	(235)	17	(728)	(695)	5
EBIT	607	207	194	160	278	1,026	919	12
Interest expense	(66)	(86)	(24)	(87)	nm	(236)	(273)	(13)
Other income/exp.	105	66	59	68	55	203	174	16
Extra items	0	(3)	nm	342	nm	342	(3)	nm
EBT	646	186	247	142	356	993	821	21
Corporate tax	(133)	(59)	124	(15)	813	(172)	(231)	(25)
Minority interest	(51)	(68)	nm	(74)	nm	(218)	(244)	nm
Net profit (loss)	457	135	238	444	3	1,033	556	86
Reported EPS	0.43	0.13	238	0.42	3	0.97	0.52	86
Core net profit	457	138	232	102	349	692	558	24
Key ratios								
Gross margin (%)	51.5	42.2		41.5		45.6	45.4	
EBITDA margin (%)	41.7	30.6		24.0		31.9	33.0	
EBIT margin (%)	35.5	23.2		16.9		26.7	25.8	
SG&A / Revenue (%)	16.0	19.0		24.7		18.9	19.5	
Tax rate (%)	20.5	31.8		10.3		17.3	28.1	
Net margin (%)	26.7	15.1		46.6		26.9	15.6	
Current ratio (x)	2.1	1.8		2.4		2.1	1.8	
Gearing ratio (x)	0.5	1.0		0.6		0.5	1.0	
Balance Sheet								
Cash & Equivalent	1,761	1,091	61	2,906	(39)			
Total assets	23,774	23,075	3	24,364	(2)			
ST debts & current portion	3,835	5,756	(33)	4,078	(6)			
Long-term debt	2,753	5,141	(46)	3,297	(17)			
Total liabilities	11,433	12,459	(8)	12,025	(5)			
Retained earnings	9,210	7,258	27	8,753	5			
Shareholders equity	10,671	8,592	24	10,185	5			
Minority interests	1,670	2,024	(17)	2,154	(22)			
BV (Bt)	11.6	9.9	16	11.6	0			

- 3Q15 land presales were 85rai, a slump YoY (from 196rai), and QoQ (123rai)
- Revenue improved 80% QoQ and 92% YoY as land transfers improved, with most being the higher-priced Nakorn as well
- Gross margin improved further to 51.5% from more Nakorn land transfers
- Equity income is at a loss of Bt6m due to unrealized FX loss from its power plant investments
- Net profit came in at Bt444m for 2Q15, while core net profit (excluding REIT gain) was Bt102m

Sources: Company data, Bualuang Research

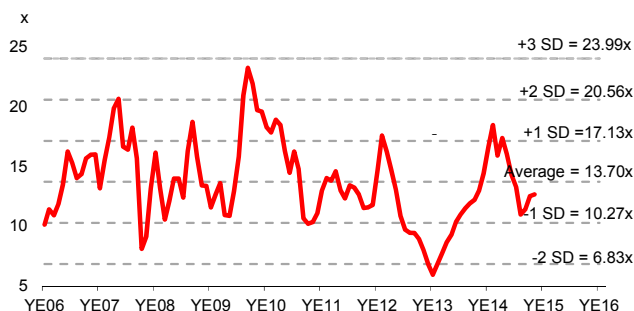
Figure 2: AMATA's historical land presales, land transfers and backlog


Sources: Company data, Bualuang Research estimates

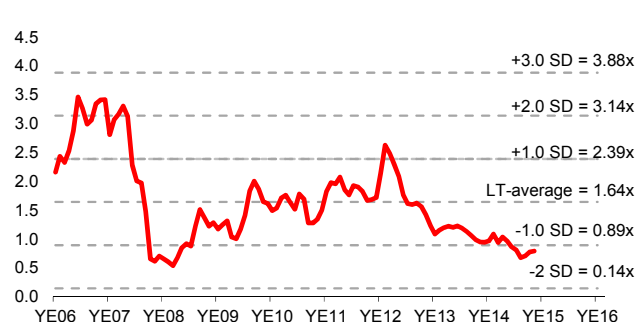
Sector Comparisons

	Bloomberg	Price	Market Cap	PER (x)	EPS Growth (%)	PBV (x)	ROE (%)	Div Yield (%)	
	Code	(local curr.)	(US\$ equivalent)	2015E	2016E	2015E	2016E	2015E	2016E
Amata Corporation	AMATA TB	THB14.20	422	10.8	12.6	-36.9	-14.4	0.8	0.8
Hemaraj Land and Developer	HEMRAJ TB	THB4.34	1,172	16.1	4.8	-11.7	237.2	2.8	3.4
Ticon Industrial Connection	TICON TB	THB11.60	355	19.9	11.9	-15.9	66.8	0.8	0.6
Thai Factory Development	TFD TB	THB2.90	104	9.3	6.7	n.m.	38	1.0	0.8
Wha Corporation	WHA TB	THB3.28	1,199	21.8	7.7	48.3	184.5	2.0	1.7
Simple average				15.6	8.7	-4.0	102.5	1.5	1.5
								14.6	24.7
								6.1	7.8

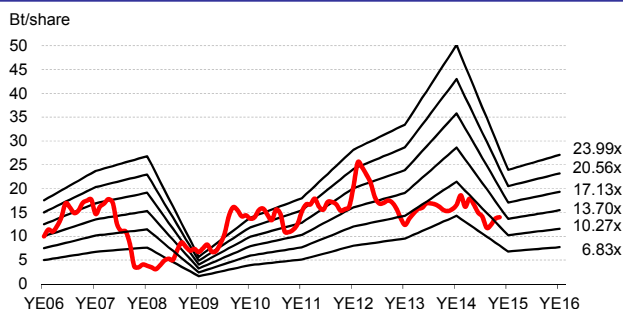
PER band versus SD



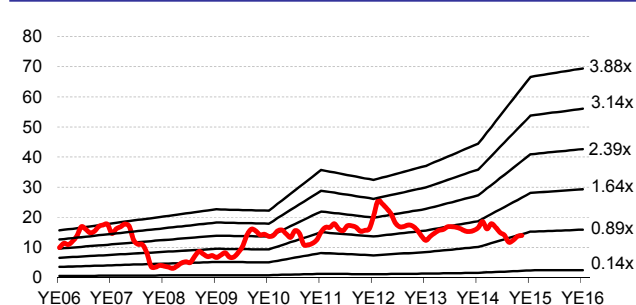
PBV band versus SD



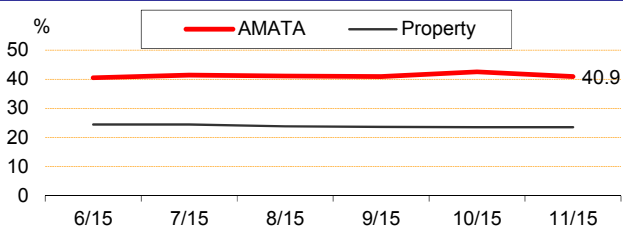
PER band and share price



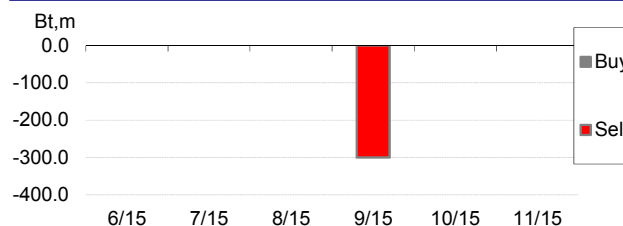
PBV band and share price



Foreign holdings



Management trading activities during past six months



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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
SPRC	SPRC

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.