

AMATA Corporation PCL

(AMATA.BK/AMATA TB) *

Outperform·Initiate

ประตูเอเชีย

Price as of 10 Oct 2017	21.80
12M target price (Bt/shr)	26.40
Unchanged/Revised up (down) (%)	N.A.
Upside/downside (%)	21.1

Key messages

เราเริ่มต้นคำแนะนำ “ซื้อ” สำหรับหุ้น AMATA ราคาเป้าหมายปี 2561 ที่ 26.40 บาท จากสถานะที่แข็งแกร่งของบริษัทในฐานะผู้พัฒนาเมืองอุตสาหกรรมระดับโลก เราคาดว่าผลการดำเนินงานจะดีขึ้นอย่างต่อเนื่องไปอีกอย่างน้อยสามปีข้างหน้าจาก i) ยอดขายที่ดินน่าจะผ่านจุดต่ำสุดไปแล้วตามการฟื้นตัวของ FDI โลก และความคืบหน้าของโครงการ EEC และ AEC ii) กำไรที่เพิ่มขึ้นจากการลงทุนในธุรกิจไฟฟ้า และ iii) upside ของกำไรจากราคาขายเฉลี่ยที่คาดว่าจะปรับตัวสูงขึ้น รวมถึงที่ดินเปล่าในมือของบริษัทที่มีอยู่ในสัดส่วนที่ค่อนข้างสูง

Trading data

Mkt cap (Btbn/US\$mn)	23.3/582
Outstanding share (mn)	1,067
Foreign ownership (mn)	199.57
3M avg. daily trading (mn)	11
52-week trading range (Bt)	10.8–21.9
Performance (%)	3M 6M 12M
Absolute	31.3 22.5 91.2
Relative	21.1 14.1 61.5

Quarterly EPS

EPS	Q1	Q2	Q3	Q4
2014	0.41	-0.01	0.13	1.56
2015	0.12	0.42	0.43	0.17
2016	0.08	0.18	0.17	0.70
2017	0.23	0.24	n.a.	n.a.

Share price chart



Source: SET

Event

เราเริ่มต้นคำแนะนำ “ซื้อ” สำหรับหุ้น AMATA ราคาเป้าหมายปี 2561 ที่ 26.40 บาท จากสถานะที่แข็งแกร่งของบริษัทในฐานะผู้พัฒนาเมืองอุตสาหกรรมระดับโลก เราคาดว่าผลการดำเนินงานจะดีขึ้นอย่างต่อเนื่องไปอีกอย่างน้อยสามปีข้างหน้าจาก i) ยอดขายที่ดินน่าจะผ่านจุดต่ำสุดไปแล้วตามการฟื้นตัวของ FDI โลก และความคืบหน้าของโครงการ EEC และ AEC ii) กำไรที่เพิ่มขึ้นจากการลงทุนในธุรกิจไฟฟ้า และ iii) upside ของกำไรจากราคาขายเฉลี่ยที่คาดว่าจะปรับตัวสูงขึ้น รวมถึงที่ดินเปล่าในมือของบริษัทที่มีอยู่ในสัดส่วนที่ค่อนข้างสูง

Impact

ยอดขายที่ดินผ่านจุดต่ำสุดไปแล้วในปี 2559 และฟื้นตัวขึ้นเป็น 650–1,700 ไร่ในปี 2560-2562

เราเชื่อว่ายอดขายที่ดินในนิคมของบริษัทผ่านจุดต่ำสุดไปแล้วที่ 610 ไร่ในปี 2559 และน่าจะฟื้นตัวขึ้นเป็น 650 ไร่ในปี 2560 และได้ขึ้นไปสู่ระดับ 1,300 ไร่ในปี 2561 และ 1,700 ไร่ในปี 2562 โดยจะได้แรงขับเคลื่อนจาก i) การฟื้นตัวของ FDI ซึ่งผ่านจุดต่ำสุดไปแล้วใน 1H60 และคาดว่าจะโตได้ตาม FDI ของโลกที่คาดว่าจะโต 5% ในปี 2560 และ 3% ในปี 2561 และ ii) สถานะการลงทุนที่น่าสนใจของประเทศจากการประกาศใช้พรบ. ระเบียบเศรษฐกิจภาคตะวันออก (EEC)

รายได้ประจำและการลงทุนในธุรกิจไฟฟ้าจะช่วยลดความผันผวนของกำไร

AMATA มีรายได้ประจำจาก i) ธุรกิจสาธารณูปโภค ii) รายได้ค่าเช่า และ iii) การลงทุนในธุรกิจไฟฟ้า ซึ่งจะช่วยลดความผันผวนของวัฏจักรการลงทุนในธุรกิจนิคมอุตสาหกรรม ทั้งนี้ ในปัจจุบัน บริษัทมีกำลังการผลิตไฟฟ้ารวม 165MWe และจะเพิ่มเป็น 260MWe ในปี 2561 โดยมีโรงไฟฟ้าที่เปิดดำเนินการรวมสามแห่ง ทั้งนี้ รายได้จากธุรกิจไฟฟ้าคิดเป็นสัดส่วน 7% ของรายได้รวมในปี 2559 และคิดเป็นสัดส่วน 12% ของกำไรขั้นต้นในปี 2559

คาดการณ์หุ้นมี downside จำกัด ที่ 20.30 บาท

แม้ว่าราคาหุ้นจะวิ่งขึ้นมาแล้วถึงเกือบ 44% ในช่วง 2 เดือนที่ผ่านมา แต่เรามองว่าราคาหุ้นมี downside จำกัดอยู่ที่ 20.30 บาทเท่านั้น ซึ่งคำนวณจากสมมติฐานที่ระมัดระวัง ว่าบริษัทขายที่ดินได้เพียง 600 ไร่ (เท่ากับหลังวิกฤติปี 2543 และ 2552) และอัตรากำไรขั้นต้นที่ 50% (ภาพที่ 22) ซึ่งจากราคาปิดล่าสุดเรามองว่ามี downside แค่ 6.8% แต่มี upside ถึง 21.1% โดยมีสัดส่วน reward/risk ratio สูงถึง 3.1

Valuation & Action

เราเริ่มต้นคำแนะนำ “ซื้อ” สำหรับหุ้น AMATA ราคาเป้าหมายปี 2561 ที่ 26.40 บาท ด้วยโดยวิธี SOTP เราประเมินมูลค่าของธุรกิจที่ดินนิคม และสาธารณูปโภคที่ 20.20 บาท/หุ้น อิงจาก PER ที่ 15.5x (เฉลี่ย 5 ปีในช่วงปี 2546-2550 ซึ่งเป็นช่วงที่สถานการณ์ปกติสำหรับโครงสร้างของบริษัทซึ่งไม่มีการแบ่งส่วนแบ่งรายได้จากธุรกิจไฟฟ้า) เราประเมินมูลค่าของธุรกิจไฟฟ้าซึ่งคำนวณโดยวิธี DCF ที่ 5.8 บาท/หุ้นโดยใช้ risk-free rate ที่ 3.75%, risk premium ที่ 7.0% และ Beta ที่ 1.0 และมูลค่าการลงทุนในกอง REIT ไว้ที่ 0.4 บาท/หุ้น

Risks

ความเสี่ยงด้านปัญหาการเมืองระหว่างประเทศ, เศรษฐกิจชะลอตัว, ภัยธรรมชาติ, การซื้อที่ดินใหม่, การกระจุกตัวของกลุ่มธุรกิจ และขาดแคลนเงินทุน

Key financials and valuations

	Dec - 15A	Dec - 16A	Dec - 17F	Dec - 18F	Dec - 19F
Revenue (Btrm)	5,115	4,427	4,881	6,855	9,308
Gross Profit (Btrm)	2,291	2,357	2,518	3,332	4,634
SG&A (Btrm)	972	820	903	1,268	1,722
Net Profit (Btrm)	1,216	1,198	1,445	1,940	2,739
Normalized Profit (Btrm)	359	1,438	1,445	1,940	2,739
EPS (Bt)	1.14	1.12	1.35	1.82	2.57
Normalized EPS (Bt)	0.34	1.35	1.35	1.82	2.57
DPS (Bt)	0.46	0.45	0.54	0.73	1.03
EPS Growth (%)	(45.3)	(1.5)	20.6	34.3	41.1
Normalized EPS Growth	(83.8)	300.4	0.5	34.3	41.1
P/E (X)	11.2	10.2	19.5	14.5	10.3
P/B (X)	1.0	0.9	1.9	1.7	1.6
EV/EBITDA (X)	9.1	12.2	11.2	8.3	5.4
Net Debt to Equity (%)	24.8	31.9	40.2	25.5	3.5
Dividend Yield (%)	3.6	3.9	2.0	2.8	3.9
Return on Average Equity (%)	9.0	8.4	9.6	11.9	15.3

ChananthornPichayapanupat
66.2658.8888 Ext.8849

Source: KGI Research

Good signal of investment both global and domestic

Global FDI set to recover while Thailand's FDI bottomed out

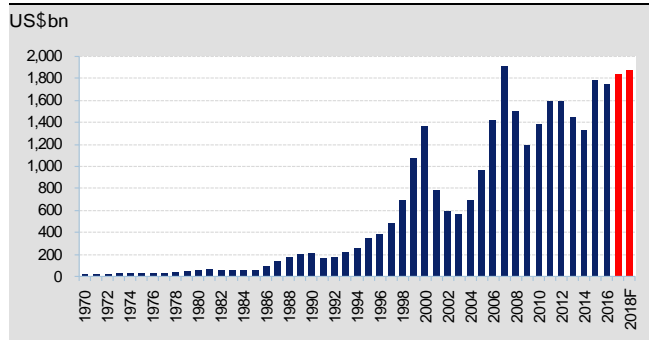
Global FDI inched down 1.6% to US\$1,746bn in 2016, but UNCTAD forecasts a recovery with moderate growth of 5% in 2017 and 2% in 2019 to US\$1,833bn and US\$1,870bn, respectively.

Thailand's FDI also showed signs of recovery as the country's 1H17 FDI was US\$4.6bn, up from US\$1.7bn in 2016. We believe Thailand's FDI could rise in line with the global trend. Based on historical data, Thailand's FDI gained market share of 0.6% on average (2005–2016) from the global FDI (minimum of 0.1% in 2016, maximum of 1.1% in 2010). Thailand's FDI flow may reach US\$11bn if we assume Thailand gains its average market share of 0.6%.

High BOI approval may need longer time to transfer to investment

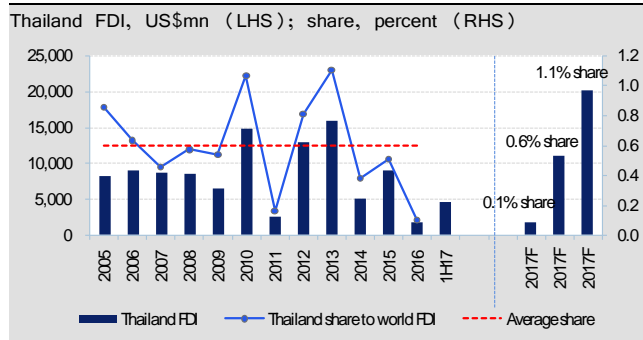
Based on historical data between BOI approved and IE land sales in Figure 4 shows that land sales went in the same direction as BOI approvals (especially between 2003–2005 and 2009–2012 which were uptrends). However, the BOI approval remained at a high level between 2013 and 2016 while land sales dropped to a low level. We believe the lower land sales could be the result of geopolitical risks which delayed investments from investors. We expect these investments to return with the good sentiment and distinct investment privileges, and we believe IE land sales could bottom out from the good catalysts and supportive investment environment, such as easing concerns about geopolitical risk and the launch of investment privileges from BOI.

Figure 1: Global FDI to recover



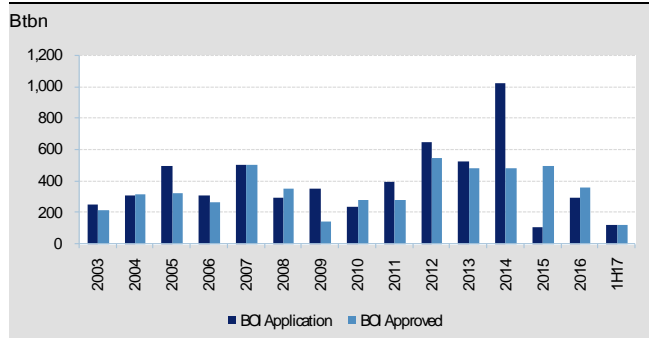
Source: UNCTAD, KGI Research

Figure 2: Thailand's FDI seems to have bottomed out



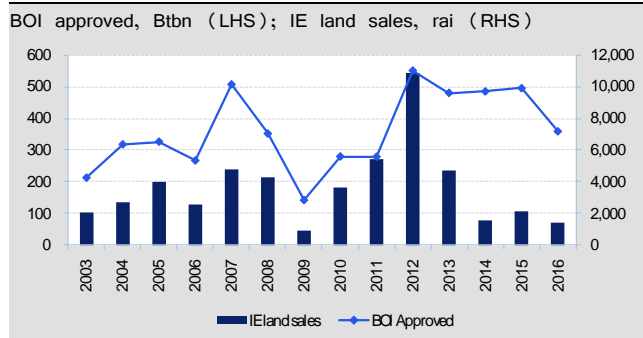
Source: UNCTAD, BOT, KGI Research

Figure 3: BOI application and approved



Source: BOI, KGI Research

Figure 4: BOI approved compared with IE land sales



Source: BOI, AMATA, WHA, KGI Research

Establishment of ASEAN Economic Community (AEC) could be key catalyst to provide Thailand's investment cycle

The ASEAN Economic Community (AEC) consists of ten member states, Brunei, Vietnam, Thailand, Singapore, Myanmar, Cambodia, Indonesia, Laos, Malaysia, and Philippines. The objective of AEC is to promote economic, political, social, and culture cooperation across the region. This cooperation is targeted to increase the region's competitiveness by moving Southeast Asia to be a single market and production base with a free flow of goods, services, labor, investment and capital across the countries. In 2016, the GDP of ASEAN was US\$2.5trn or 3.4% of the world's GDP. However, the IMF forecasts this to increase to 4% in 2022 on the back of a higher growth rate for ASEAN GDP (about 8%) compared to the world at 5%. Thus, Thailand, who sits at the center of this sustainable high growth region, is positioned to benefit from economic integration and can possibly develop to be a hub of ASEAN due to its prime logistic location.

Figure 5: ASEAN GDP growth is expected to be higher than the global average

	unit	2015	2016	2017	2018	2019	2020	2021	2022
ASEAN	US\$bn	2,440.0	2,549.4	2,721.3	2,947.1	3,191.7	3,464.0	3,775.8	4,049.3
%YoY			4.5%	6.7%	8.3%	8.3%	8.5%	9.0%	7.2%
World	US\$bn	74,196.8	75,278.0	77,442.4	81,398.4	85,533.1	89,911.3	94,468.9	99,183.7
%YoY			1.5%	2.9%	5.1%	5.1%	5.1%	5.1%	5.0%
Share of ASEAN to world		3.3%	3.4%	3.5%	3.6%	3.7%	3.9%	4.0%	4.1%

Source: ASEAN, KGI Research

Figure 6: Members in AEC



Source: ASEAN, KGI Research

Eastern Economic Corridor (EEC) to move Thailand to be regional gateway

EEC is part of the Thai government's strategic plan under the "Thailand 4.0" policy to boost the country's competitiveness in its existing core economic strengths through technology, innovation, more efficient infrastructure and attractive investment promotion privileges. This plan also aims to promote Thailand as the center of connectivity to other countries in the region as well as to move Thailand into the key regional economic cooperation platform and coming new trade agreements including AEC, China's key strategic economic development plan "One Belt One Road" and TPP (Trans-Pacific Partnership), which continues to move forward even after the US withdrew). This plan is expected to secure Thailand's competitive position as an ASEAN & CLMV gateway with its logistic advantage and sustainable economic growth to attract new foreign investment.

The EEC project will cover three eastern provinces, Chachoengsao, Chonburi, and Rayong. Under this development plan, the Eastern Economic Corridor Office of Thailand has been set to take responsibility of this development plan with General Prayut Chan-o-cha, Prime Minister of Thailand as a Chairman of the policy committee.

EEC's core development plan is broken down into three areas;

i) Infrastructure: Because of the country's location at the center of the region, a well-suited infrastructure could enhance the country's competitiveness. Transportation investments included in the development plan are land transportation, aviation, and water.

Land Transportation: Consists of three projects

- High-speed train (Bt158bn) will link the three main international airports, Don Muang, Suvarnabhumi, and U-Tapao
- Double-track rail (Bt64.3bn) will link the whole industrial zone. Moreover, it will connect Laem Chabang, Map Tap Phut, and the new Sattahip deep sea port.
- Motorway (Bt35.3bn) will expand to Rayong

Aviation Transportation: (Bt200bn)

- U-Tapao airport expansion.
- Aviation hub with MRO center (maintenance, repair, and overhaul), developing training center, and aiming to be the world's central gateway to Asia.
-

Water Transportation:

- Laem Chabang Deep Sea Port Phase 3 (Bt88bn).
- Map Ta Phut Port Phase 3 (Bt10.15bn) for handling liquid material and natural gas.
- Sattahip Commercial Port.
- Ferry Port to link both sides of the Gulf of Thailand, aiming to boost tourism and reducing transportation distance.

ii) Business and Industrial: Plans to promote, reinforce, and develop ten major industries which are divided into two main groups (First S-Curve and five new S-Curve).

First Curve:

- Next generation automotive industry.
- Intelligent electronics industry.
- Advance agriculture and biotechnology.
- Food processing industry.
- Tourism industry.

5 New S-curve:

- Advance robotics industry.
- Aviation and logistic industry.
- Medical hub.
- Biofuel and biochemical industry.
- Digital Industry.

iii.) New Eastern Cities: Plans to develop four new cities, Chachoengsao, Pattaya, Rayong, and other potential areas. The new cities are to be strategic located for labor and tourists by implementing a good city plan. It also targets to standardize education, healthcare, internet access, water and electricity, and public transportation.

Note that the Investment Promotion Act and Competitiveness Enhancement Act have been implemented to attract foreign investment. However, more privileges are offered for qualified investment projects referring to the EEC development plan. Special privileges and incentives for EEC are;

- Exemption from corporate income tax for up to 15 years.
- Exemption on import duties for machinery, raw essential materials imported for use in production for export/good for R&D.
- Matching grants for investment, R&D, innovation, human resource development for targeted industries.
- Permission to own land for BOI promoted projects.
- Right to state's land lease for 50 years, renewable upon approval for a further 49 years.
- 17% income tax rate for foreign executives working for regional headquarters or international trading companies, treasury centers, along with regional R&D centers.
- One-stop service centre to facilitate foreign investors, provide useful information, and issue permits for trading, export and import all in one location.
- Five-year work visa issuance to attract investors, experts and scientists from around the world.

Under this plan, the government may need to invest in supporting infrastructure up to Bt500bn in the foreseeable future and it plans to use PPP fast track as a source to finance the massive investment to limit the government burden. The government expects this plan to induce private investment in this new economic zone of about Bt1.1tn over the next five years (including industrial plants Bt500bn, tourism facilities Bt200bn and new cities Bt400bn). If this plan is achieved, it may create additional industrial land demand of at least 3,000–5,000 rai/year during the next five years.

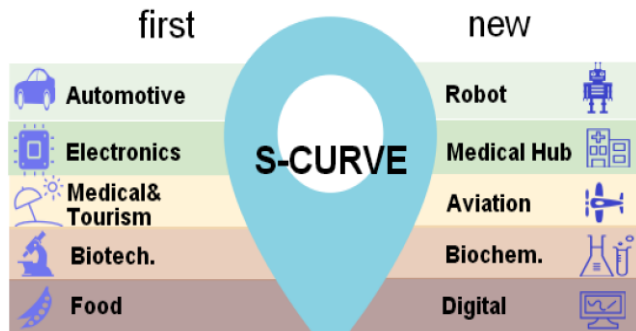
We expect the EEC Act to be implemented at the end of this year at the earliest as it has to be amended by The National Legislative Assembly (NLA) three times after the cabinet approved the draft of the EEC Act on September 19, 2017. It could take at least three months before approval by NLA as the NLA normally meets once a month.

Industrial estate developers to benefit, especially AMATA and WHA

We expect AMATA and WHA Corporation (WHA.BK/WHA TB)*to gain the most benefit from high demand for land as both are major players with market shares of about 30%–35% each and are located in the areas targeted for the EEC. Thailand's industrial estate land sales have been slow for the past three years with

average land sales of only 1,700 rai which is the same level as in 1999–2002, far from the peak of 11,000 rai in 2012. We believe the industrial estate industry consolidate during 2014–2016 and recover this year to the level in 2002. Moreover, the recovering global FDI and tax incentive from EEC could also boost industrial estate land sales.

Figure 7: Ten target industries



Source: Nesdb, KGI Research

Figure 8: Infrastructure to boost EEC



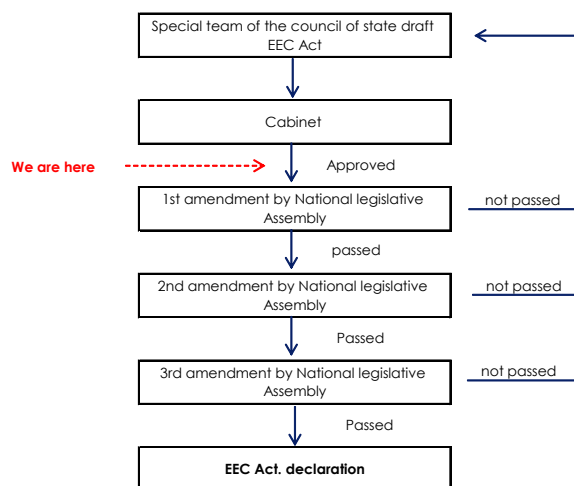
Source: BOI, KGI Research

Figure 9: Privilege from EEC development plan

	EEC Scheme	Currently
Tax	CIT exempt up to 15 years	CIT exempt 3-8 years with 50% for 5 years
	17% income tax	35% income tax
	Exemption of import duties on machinery	Exemption of import duties on machinery
Non-Tax	Right of land lease 50+49 years	Right of land lease 50 years
	5 years work visa	1 year business visa and 2 year work permit

Source: BOI, EECO, KGI Research

Figure 10: Flow chart for EEC Act. declaration



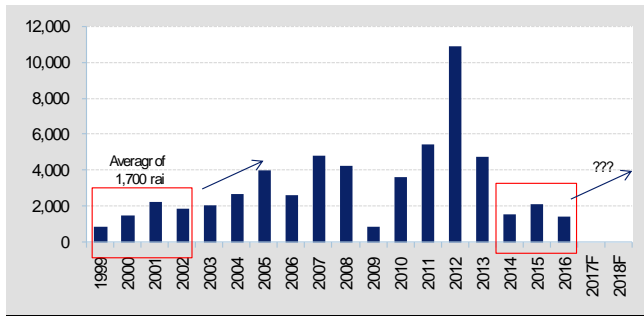
Source: EECO, KGI Research

Figure 11: IE land sales expect to bottom out

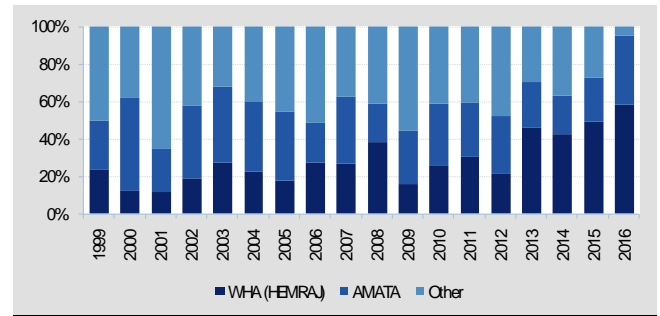
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Figure 12: AMATA and WHA are the major player

Market share, percent

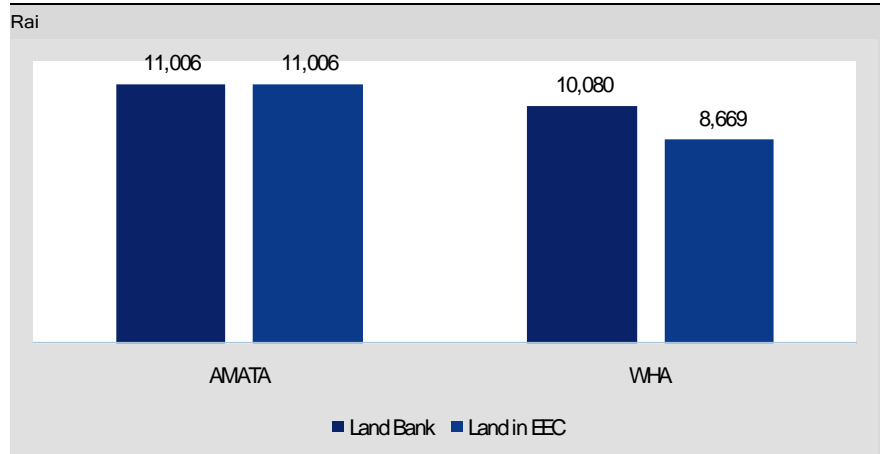


Source: AMATA, WHA, KGI Research



Source: AMATA, WHA, KGI Research

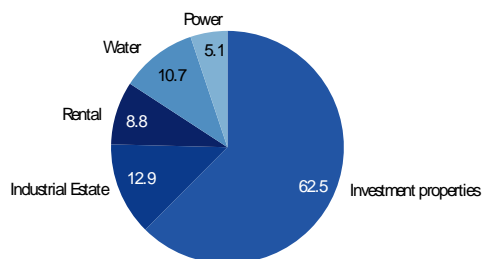
Figure 13: 100% of AMATA's land bank is located in EEC area



Source: AMATA, WHA, KGI Research

Figure 14: WHA revenue breakdown in 2016

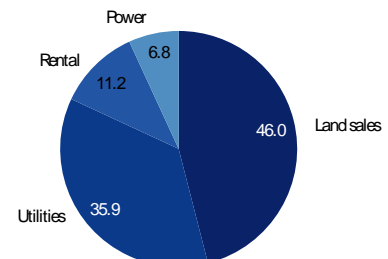
Percent



Source: WHA, KGI Research

Figure 15: AMATA revenue breakdown in 2016

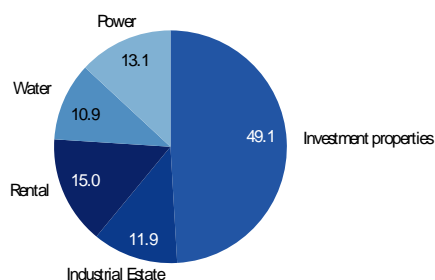
Percent



Source: AMATA, KGI Research

Figure 16: WHA gross profit breakdown in 2016

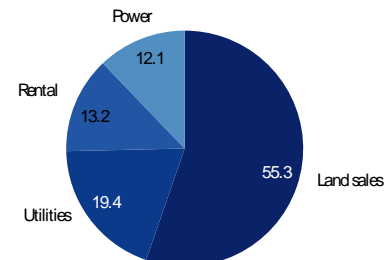
Percent



Source: WHA, KGI Research

Figure 17: AMATA gross profit breakdown in 2016

Percent



Source: AMATA, KGI Research

Investment Theme

AMATA: a well-known industrial city developer

Amata can be called the leading industrial city developer on the back of its long-term key milestone. Due to its notably as well as its good location (both in Thailand and Vietnam), we believe Amata would be the primary choice for investor in order to broaden its manufacturing base.

Land sales bottomed out in 2016 and to recover to 650-1,700 rai during 2017-2019

We believe AMATA's real estate business hit its trough in 2016 at 610 rai before picking up in 2017-2019 from higher land sales on; i) recovery in Thailand's FDI which showed a bottoming out in 1H17 and should be in-line with the global FDI (note that UNCTAD forecast global FDI to grow 5% in 2017 and 3% in 2018), and ii) attractive environment for investment in Thailand from implementing the EEC Act.

We believe AMATA would benefit from EEC because its industrial estates in Thailand are all located in the target locations i) AMATA Nakorn in Chonburi, ii) AMATA City in Rayong, and iii) AMATA Thai-Chinese in Rayong. Moreover, about 30% of its clients in Amata Nakorn and Amata City are engaged in the automotive industry which is one of the industries targeted in the EEC. We assume land sales of 650 rai in 2017 then climb to 1,300 in 2018 and 1,700 rai in 2019. We believe our assumptions are achievable after we compared the pattern with two prior periods (2001-2005 and 2008-2012).

Seed in Vietnam likely to shine

AMATA began its operation in Vietnam in 1994 with Amata City Bien Hoa (Bien Hoa city, Dong Nai Province) which is currently held via Amata VN Pcl. Recently the company expanded its investment in two new locations:

i) Amata City Long Thanh located in Long Thanh City, Dong Nai Province with total granted area of 1,270 ha (~7,940 rai). The granted area is divided into i) Mega Township (753 ha), ii) High-Tech Industrial Park (410 ha), and iii) Service Township (107ha). The company plans to develop the first phase of the industrial park with 100 ha (~600 rai). With high demand, especially from labor intensive industries, the company targets 15 ha of land (~100 rai) to be sold in 2018. We assume land sales of Amata City Long Thanh of 100 rai in 2018 and 2019.

ii) Amata City Halong located in Quang Ninh Province with application submitted area of 709 ha (~4,430 rai). The company expects to grant investment certificates in 2018 before it starts selling land in 2019. Thus, we assume land sales of Amata City Halong at 100 rai in 2019.

Our land sales assumptions in Vietnam would be 150 rai, 300 rai, and 400 rai in 2017-2019, respectively. Note that the land sales in Vietnam are already included in AMATA's total land sales.

Recurring income and investment in power business to act as a buffer and reduce earnings volatility

The company has a buffer from i) utilities, ii) rental service, and iii) investment in power business which could reduce the volatility of the cycle in its real estate business. Without land sales revenue, its recurring income and its power plant investment could still contribute net profit to the company.

Utilities business (from 35.9% of total revenue in 2016 to 36.8% in 2017)

Currently, AMATA provides raw water, tap water, and waste water treatment for its clients in both Amata Nakorn and Amata City with existing capacity of 73mn cubic meter/year. Demand for water was 37mn cubic meter in 2016 (50% of its total capacity). We foresee room to grow in this business from higher demand and higher selling price.

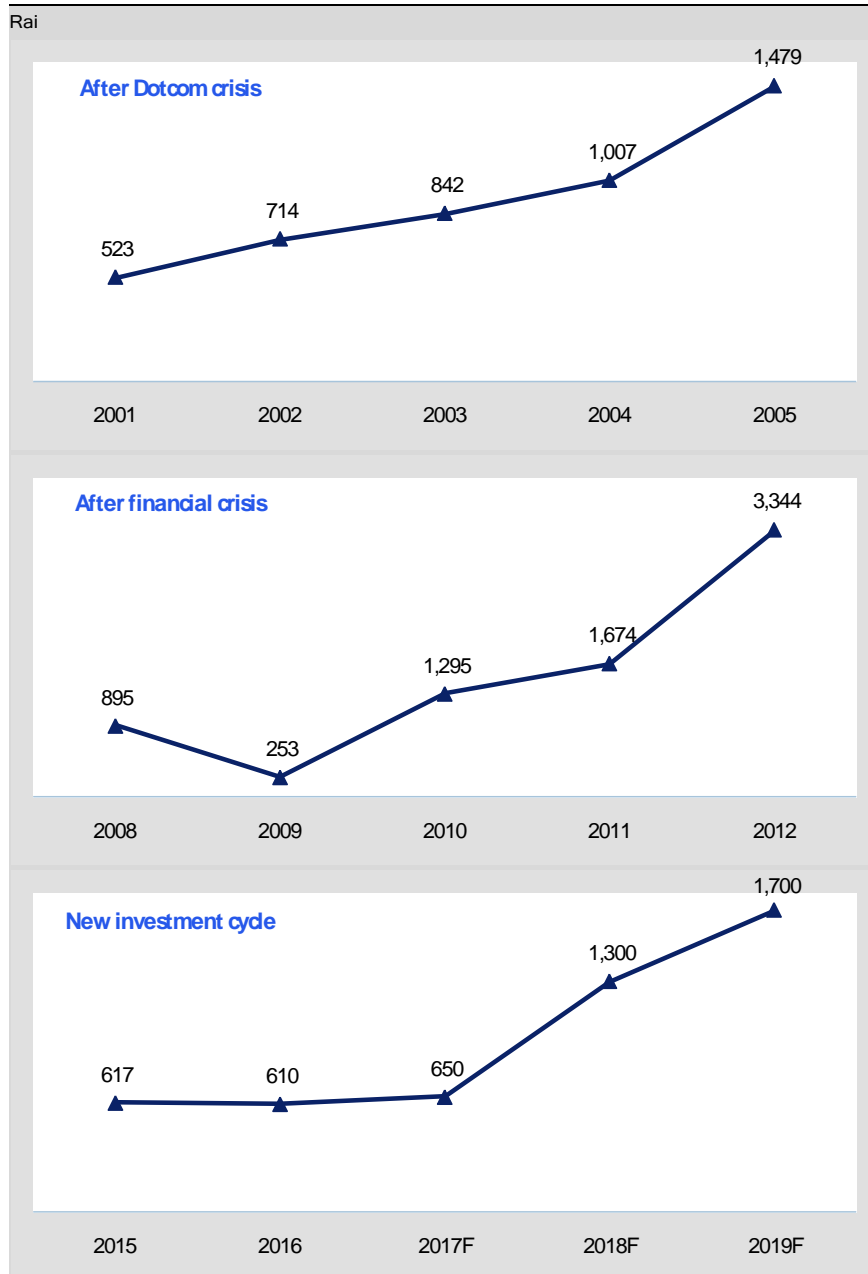
Rental business (from 11.2% of total revenue in 2016 to 12.4% in 2017)

AMATA has existing leasable area of about 43,000sqm in Thailand and 120,000sqm in Vietnam with an occupancy rate of 80% and 100%, respectively. The company offers small ready-to-built factories with area of 1,200–5,000sqm in Thailand and 1,500–2,000sqm in Vietnam. The company targets to increase leasable area by 10% every year. We believe this could be a good business model because this would increase the company's recurring income, better utilize the area in its industrial estates, and could offer opportunities to sell assets to REITs.

Investment in power business (from 6.8% of total revenues in 2016 to 6.7% in 2017)

Currently, AMATA has invested in total capacity of 165 MWe which contributes 25% of the company's total core profit. This total capacity will increase to 260MWe in 2018 after three power plants are operational.

Figure 18: Comparison of land sales in different investment cycles



Source: AMATA, KGI Research

Figure 19: Overview of AMATA's operation in Vietnam

Name	Amata Bien Hua	Name	Amata City Long Thanh	Name	Amata City Halong
Established	31-Dec-94	Grantor	Dong Nai Industrial Zone Authority (DIZA)	Grantor	Quang Ninh Economic Zone Authority (QNEZA)
Total Area	Approx 700 hectares (4,375 rai) - Bien hua City, Dong Nai Province	Total granted area	1,270 hectares (7,940 rai) - Long Thanh City, Dong Nai Province	Application submitted area	709 hectares (4,430 rai) - Quang Ninh Province
Location	- Located on highway No.1 connecting HCMC to Bien hua City	Location	- On new HCMC-Long Thanh-Dau Giay Expressway - Highway No.51, linking to Cai Mep Port and Vung Tau Port	Location	- On new Highway No.5 connecting to Hanoi, Hiphong and Halong - Near the new Lach Huyen Deep seaport
Industry Data	- 154 factories - Machinery, steel, metal, plastic, rubber of 38% - Textile, garment of 15% - Chemical paint of 12%	Highlight	- Granted Investment Certifies - High-Tech industrial park of 410 ha in June 2015 - Service city (East) of 55.4 ha in March 2016 - Township of 753 ha in July 2016 - Service City (West) of 51.9 ha in November 2016		- Proximity to China border

Source: Company Data, KGI Research

Figure 20: Locations in Vietnam



Source: AMATA, KGI Research

Figure 21: Amata's customers are in the ten industries targeted by the EEC Act

Customer by industry					
Amata Nakorn (Chonburi)	percent	Amata City (Rayong)	percent	Amata City Bien Hoa	percent
Machinery, Steel, Metal, Plastic, Rubber	33%	Machinery, Steel, Metal, Plastic, Rubber	41%	Machinery, Steel, Metal, Plastic, Rubber	38%
Automotive	32%	Automotive	26%	Textile, Garment	15%
Service, R&D, Logistics, Warehouse, sales	9%	Consumer products, Healthcare, Packaging	9%	Chemical paints	12%
Electronics	9%	Electronics	9%	Electronics	9%
Other	17%	Other	15%	Other	26%
Total	100%	Total	100%	Total	100%

Source: Company data, KGI Research

Earnings upside from hiking average selling price with its plentiful land bank

An industry expert report shows that the average selling price of industrial estate land in Chonburi is Bt1mn-Bt8mn per rai, Rayong is Bt1mn-Bt8mn per rai, and Chachoengsao is Bt2mn-Bt8mn per rai. We foresee upside to AMATA's earnings from a possible increase in average selling price due to higher demand as well as the company's good locations. Moreover, its solid land bank of 11,000 rai all located in EEC target areas would allow earnings to float.

Strong earnings growth of 24% 3-year CAGR (2017-2019)

We expect impressive earnings growth of 24% CAGR during 2017-2019 driven by a bottoming out in real estate business with land sales assumptions of 650, 1,300,

and 1,700 rai in 2017–2019, respectively, with a conservative margin assumption of 55%.

Possibly limited downside share price around Bt20.3

Amata share price rocketed about 44% from Bt15.5 in August to Bt22.3 in September; then, we foresee share price could possibly facing selling pressure on taking profit. However, we expect share price to be limited around Bt20.3 (Figure 22) after we ran sensitivity between land sales and gross margin. Based on Amata land sales historical data showed that the company land sales was about 500 rai after crisis (505 rai in 2000 and 425 rai in 2009) then if we assume land sales of 600 rai in 2018 with more conservative gross margin of only 50%, this would implied share price around Bt20.3 (about 6.8% downside from the last closing price).

Valuation and action

We rate AMATA Outperform with a 2018 target price of Bt26.40 based on the SOTP method. We derived value for land sales and utilities at Bt20.2/share based on multiple PER 15.5x (5-year average during 2003–2007, which was a normal situation period for the company's structure without profit sharing from power business). We also derived the value of the power business at Bt5.8/share based on DCF method with risk-free of 3.75%, risk premium of 7.0%, and Beta of 1.0. Lastly, we valued REIT investment at Bt0.4/share.

Figure 22: Sensitivity between land sales and gross margin to 2018 target price

2018-TP	Gross margin (%)								
26.4	45.0%	47.50%	50.00%	52.50%	55.00%	57.50%	60.00%	62.50%	65.00%
400	17.8	18.3	18.8	19.3	19.8	20.4	20.9	21.4	21.9
500	18.5	19.0	19.5	20.1	20.6	21.1	21.6	22.1	22.6
600	19.2	19.8	20.3	20.8	21.3	21.8	22.3	22.8	23.4
700	20.0	20.5	21.0	21.5	22.0	22.5	23.1	23.6	24.1
800	20.7	21.2	21.7	22.2	22.7	23.3	23.8	24.3	24.8
900	21.4	21.9	22.4	23.0	23.5	24.0	24.5	25.0	25.5
1,000	22.1	22.7	23.2	23.7	24.2	24.7	25.2	25.7	26.3
1,100	22.9	23.4	23.9	24.4	24.9	25.4	26.0	26.5	27.0
1,200	23.6	24.1	24.6	25.1	25.7	26.2	26.7	27.2	27.7
1,300	24.3	24.8	25.4	25.9	26.4	26.9	27.4	27.9	28.4
1,400	25.0	25.6	26.1	26.6	27.1	27.6	28.1	28.7	29.2
1,500	25.8	26.3	26.8	27.3	27.8	28.3	28.9	29.4	29.9
1,600	26.5	27.0	27.5	28.0	28.6	29.1	29.6	30.1	30.6
1,700	27.2	27.7	28.3	28.8	29.3	29.8	30.3	30.8	31.3
1,800	28.0	28.5	29.0	29.5	30.0	30.5	31.0	31.6	32.1
1,900	28.7	29.2	29.7	30.2	30.7	31.3	31.8	32.3	32.8
2,000	29.4	29.9	30.4	31.0	31.5	32.0	32.5	33.0	33.5

Source: KGI Research

Figure 23: Assumptions

Assumption	Revenue contribution	unit	2015	2016	2017F	2018F	2019F
Real estate:							
Land sales	46.0%	rai	617	610	650	1,300	1,700
GPM		percent	50.8	67.8	65.0	55.0	55.0
Utilities:							
Demand	35.9%	mn m ³ /year	39	37	41	45	49
GPM		percent	20.2	30.4	30.5	30.5	30.5
Rental: Thailand							
Leasable area		sqm	42,999	43,000	43,000	47,300	51,600
Occupancy rate	11.2%	percent	80.0	80.0	80.0	77.3	75.0
Rental: Vietnam							
Leasable area		sqm	120,000	120,000	120,000	132,000	144,000
Occupancy		percent	80.0	80.0	100.0	95.5	91.7
Power Capacity	6.8%	Mwe	130	165	165	260	260

Source: AMATA, KGI Research

Figure 24: Valuation summary

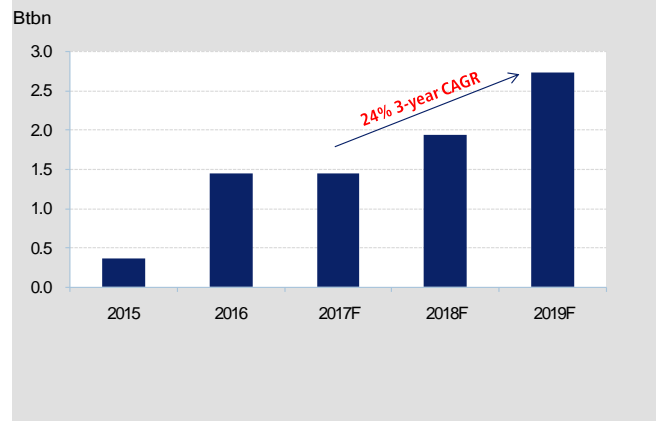
Business	Method	Equity Value Btmn	Per share Bt/sh
Land sales and utility	15.5 PER	21,524	20.2
Power business	DCF	6,241	5.8
AMATAR	DDM	384	0.4
Net equity value		28,149	26.4

Source: KGI Research

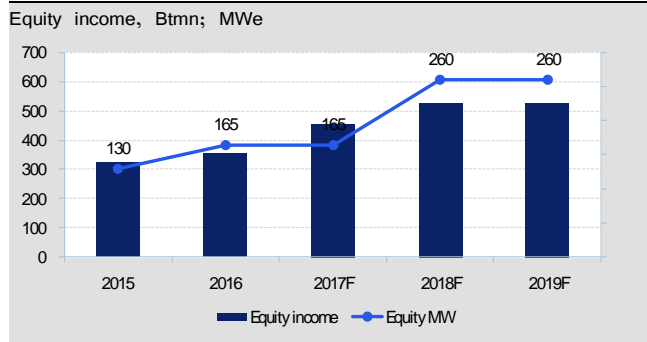
Figure 25: Company profile

AMATA Corporation PCL. engaged in three business segments; i) Industrial estate, ii) Utilities, and iii) Rental. For real estate, the company will develop and sell industrial land to industrial operators. Currently, AMATA operation covers areas in Thailand and Vietnam; Amata Nakorn (Chonburi), Amata City (Rayong), Thai-Chinese Rayong, Amata City (Bien Hoa), Amata City Long Thanh, and Amata City (Halong). For utilities, the company set up its subsidiaries to engage water business. For rental, the company provides ready-to-built factory for rent both in Thailand and Vietnam.

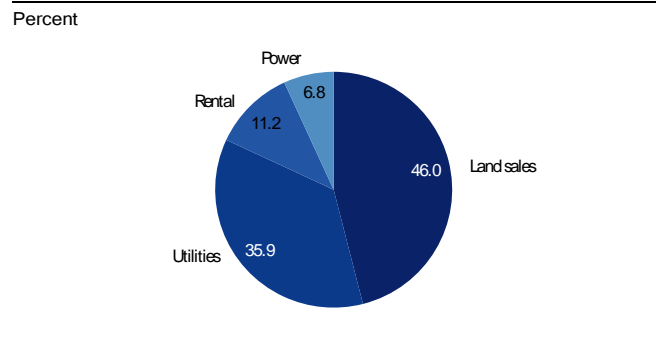
Source: Company data

Figure 26: Impressive earnings growth of 22% 3-year CAGR


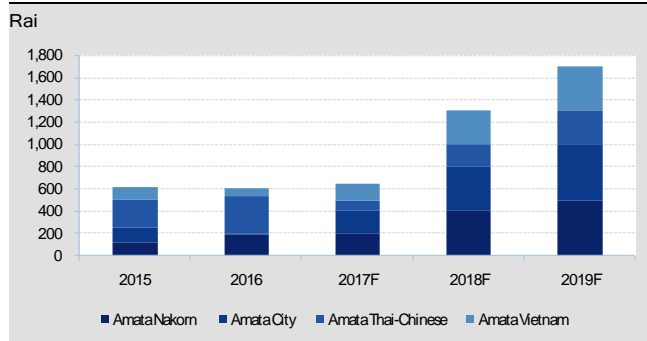
Source: Company data, KGI Research

Figure 27: Earnings 3-year CAGR


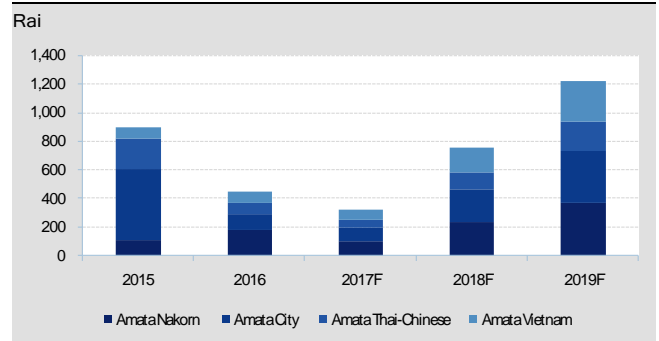
Source: Company data, KGI Research

Figure 28: Revenue breakdown


Source: Company data, KGI Research

Figure 29: Land sales


Source: Company data, KGI Research

Figure 30: Land transfer


Source: Company data, KGI Research

Figure 31: Company's PER


Source: KGI Research

Figure 32: Company's PBV


Source: KGI Research

Quarterly Income Statement

	Mar-14A	Jun-14A	Sep-14A	Dec-14A	Mar-15A	Jun-15A	Sep-15A	Dec-15A	Mar-16A	Jun-16A	Sep-16A	Dec-16A	Mar-17A	Jun-17A
Income Statement (Bt mn)														
Revenue	2,024	645	892	3,787	1,186	951	1,709	1,269	787	821	708	2,111	775	1,021
Cost of Goods Sold	(1,074)	(354)	(498)	(1,615)	(708)	(556)	(828)	(732)	(411)	(438)	(413)	(808)	(394)	(553)
Gross Profit	950	290	394	2,172	478	395	881	537	377	383	294	1,302	381	468
Operating Expense	(298)	(229)	(187)	(305)	(219)	(235)	(274)	(244)	(187)	(244)	(168)	(221)	(197)	(226)
Other incomes	27	37	42	61	15	57	93	55	9	73	46	150	15	20
Operating Profit	679	97	249	1,928	273	218	700	348	198	213	173	1,231	199	261
Depreciation of fixed asset	76	82	85	92	71	73	72	73	72	84	77	76	74	75
Operating EBITDA	603	15	164	1,837	202	144	628	275	127	129	96	1,156	124	186
Non-Operating Income	21	23	24	21	15	875	13	1	10	8	6	3	4	48
Interest Income	21	23	24	21	15	11	13	8	10	8	6	3	4	6
Other Non-op Income	0	0	0	0	0	864	0	(7)	0	0	0	0	0	42
Non-Operating Expense	(93)	(93)	(86)	(87)	(84)	(87)	(66)	(70)	(73)	(66)	(60)	173	(55)	(53)
Interest Expense	(93)	(93)	(86)	(87)	(84)	(87)	(66)	(70)	(73)	(66)	(60)	(67)	(55)	(53)
Other Non-op Expense	0	0	0	0	0	0	0	0	0	0	0	240	0	0
Equity Income/(Loss)	72	61	79	14	47	49	(6)	64	24	131	150	20	194	138
Pre-tax profit	680	89	265	1,877	251	1,055	641	342	157	284	269	951	301	372
Current Taxation	(136)	(36)	(59)	(120)	(25)	(191)	(133)	(47)	(38)	(56)	(24)	(186)	(37)	(39)
Minorities	111	65	68	92	93	420	51	113	39	36	62	22	13	77
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	433	(12)	138	1,666	133	444	457	183	80	192	183	743	251	256
Normalized Profit	433	(12)	138	1,666	133	(421)	457	190	78	190	183	987	210	192
EPS(Bt)	0.41	(0.01)	0.13	1.56	0.12	0.42	0.43	0.17	0.08	0.18	0.17	0.70	0.23	0.24
Normalized EPS(Bt)	0.41	(0.01)	0.13	1.56	0.12	(0.39)	0.43	0.18	0.07	0.18	0.17	0.93	0.20	0.18
Margins														
Gross profit margin	46.9	45.0	44.2	57.4	40.3	41.5	51.5	42.3	47.8	46.7	41.6	61.7	49.2	45.8
Operating EBIT margin	33.6	15.1	27.9	50.9	23.1	22.9	40.9	27.4	25.2	25.9	24.4	58.3	25.6	25.6
Operating EBITDA margin	29.8	2.3	18.3	48.5	17.1	15.2	36.7	21.7	16.1	15.7	13.5	54.7	16.0	18.2
Net profit margin	21.4	(1.9)	15.4	44.0	11.2	46.6	26.7	14.4	10.2	23.4	25.9	35.2	32.3	25.1
Growth														
Revenue growth	19.4	(68.2)	38.3	324.8	(68.7)	(19.8)	79.7	(25.7)	(38.0)	4.3	(13.8)	198.3	(63.3)	31.7
Operating EBIT growth	55.4	(85.7)	155.6	675.8	(85.8)	(20.4)	221.3	(50.3)	(42.9)	7.1	(18.6)	611.9	(83.9)	31.5
Operating EBITDA growth	66.1	(97.5)	997.3	1,023.4	(89.0)	(28.6)	334.9	(56.2)	(53.9)	1.4	(25.6)	1,106.5	(89.2)	49.6
Net profit growth	479.1	(102.8)	(1,245.6)	1,110.8	(92.0)	233.3	3.0	(60.0)	(56.0)	139.0	(4.6)	306.0	(66.3)	2.2
Normalized profit growth	479.1	(102.8)	(1,245.6)	1,110.8	(92.0)	(416.0)	(208.6)	(58.4)	(59.1)	144.7	(3.8)	439.3	(78.7)	(8.7)

Source: KGI Research

Balance Sheet

As of 31 Dec (Bt mn)	2015	2016	2017F	2018F	2019F
Total Assets	25,451	26,596	28,514	29,693	31,591
Current Assets	11,345	10,218	12,326	13,521	15,355
Cash & ST Investment	3,394	2,104	950	1,869	4,390
Inventories	0	0	0	0	0
Account Receivable	269	365	423	464	510
Others	7,682	7,749	10,953	11,187	10,454
Non-current Assets	14,106	16,378	16,188	16,173	16,236
LT Investment	12,117	12,868	13,449	14,104	14,807
Net fixed Assets	1,055	1,022	1,076	1,123	1,164
Others	934	2,487	1,663	946	265
Total Liabilities	11,951	12,356	13,407	13,422	13,676
Current Liabilities	5,096	5,863	5,364	6,077	6,956
Account Payable	458	446	511	562	619
ST Borrowing	1,988	1,881	1,881	1,881	1,881
Others	2,650	3,536	2,971	3,634	4,456
Long-term Liabilities	6,855	6,493	8,044	7,345	6,720
Long-term Debts	2,886	2,645	4,145	3,145	2,145
Others	3,970	3,848	3,898	4,200	4,575
Shareholders' Equity	13,501	14,240	15,107	16,271	17,915
Common Stock	1,067	1,067	1,067	1,067	1,067
Capital Surplus	174	174	174	174	174
Retained Earnings	9,158	9,940	10,807	11,971	13,615
Preferred Stock	0	0	0	0	0

Source: KGI Research

Key Ratios

Year to 31 Dec	2015	2016	2017F	2018F	2019F
Growth (%YoY)					
Sales	(42.1)	(28.7)	5.5	74.7	54.0
OP	(47.9)	18.0	2.4	29.4	40.3
EBITDA	(20.0)	(22.5)	15.1	26.5	33.1
NP	(45.3)	(1.5)	20.6	34.3	41.1
Normalized Profit	(83.8)	300.4	0.5	34.3	41.1
EPS	(45.3)	(1.5)	20.6	34.3	41.1
Normalized EPS	(83.8)	300.4	0.5	34.3	41.1
Profitability (%)					
Gross Margin	44.8	53.2	51.6	48.6	49.8
Operating Margin	30.1	41.0	38.1	35.1	36.3
EBITDA Margin	56.4	50.5	52.7	47.5	46.6
Net Margin	23.8	27.1	29.6	28.3	29.4
ROAA	4.8	4.5	5.1	6.5	8.7
ROAE	9.0	8.4	9.6	11.9	15.3
Stability					
Gross Debt/Equity (%)	0.9	0.9	0.9	0.8	0.8
Net Debt/Equity (%)	0.2	0.3	0.4	0.3	0.0
Interest Coverage (x)	8.5	7.2	8.1	11.2	19.4
Interest & ST Debt Coverage (x)	1.1	0.9	1.0	1.4	1.9
Cash Flow Interest Coverage (x)	8.0	1.2	11.7	15.0	24.0
Cash Flow/Interest & ST Debt (x)	1.1	0.1	1.5	1.8	2.3
Current Ratio (x)	2.2	1.7	2.3	2.2	2.2
Quick Ratio (x)	2.2	1.7	2.3	2.2	2.2
Net Debt (Bt mn)	3,349	4,546	6,076	4,157	636
Per Share Data (Bt)					
EPS	1.1	1.1	1.4	1.8	2.6
Normalized EPS	0.3	1.3	1.4	1.8	2.6
OPPS	2.3	0.3	3.0	3.6	4.6
BVPS	12.7	13.3	14.2	15.2	16.8
SPS	4.8	4.1	4.6	6.4	8.7
EBITDA/Share	2.7	2.1	2.4	3.1	4.1
DPS	0.5	0.5	0.5	0.7	1.0
Activity					
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.3
Days Receivables	48	60	60	60	60
Days Inventory	NA	NA	NA	NA	NA
Days Payable	127	119	120	120	120
Cash Cycle	NA	NA	NA	NA	NA

Source: KGI Research

Profit & Loss

Year to Dec 31 (Bt mn)	2015	2016	2017F	2018F	2019F
Revenue	5,115	4,427	4,881	6,855	9,308
Cost of Goods Sold	(2,824)	(2,070)	(2,362)	(3,523)	(4,675)
Gross Profit	2,291	2,357	2,518	3,332	4,634
Operating Expenses	(972)	(820)	(903)	(1,268)	(1,722)
Other Incomes	174	251	215	302	410
Operating Profit	1,539	1,815	1,859	2,406	3,377
Depreciation of fixed assets	(289)	(308)	(331)	(352)	(371)
Operating EBITDA	2,884	2,236	2,573	3,254	4,333
Non-Operating Income	46	268	29	41	56
Interest Income	46	28	29	41	56
Other Non-op Income	0	240	0	0	0
Non-Operating Expense	(306)	(27)	(277)	(260)	(204)
Interest Expense	(306)	(266)	(277)	(260)	(204)
Other Non-op Expense	0	240	0	0	0
Equity Income/(Loss)	153	325	353	455	529
Pretax Profit	2,289	1,662	1,964	2,643	3,758
Current Taxation	(396)	(304)	(322)	(438)	(646)
Minorities	677	159	197	265	373
Extraordinary items	857	0	0	0	0
Net Profit	1,216	1,198	1,445	1,940	2,739
Normalized Profit	359	1,438	1,445	1,940	2,739
EPS(Bt)	1.14	1.12	1.35	1.82	2.57
Normalized EPS(Bt)	0.34	1.35	1.35	1.82	2.57

Source: KGI Research

Cash Flow

Year to 31 Dec (Bt mn)	2015	2016	2017F	2018F	2019F
Operating Cash Flow	2,441	307	3,253	3,889	4,899
Net Profit	1,216	1,198	1,445	1,940	2,739
Depreciation & Amortization	289	308	331	352	371
Change in Working Capital	935	(1,199)	1,477	1,596	1,789
Others					
Investment Cash Flow	41	(1,155)	(4,105)	(1,194)	(282)
Net CAPEX	(118)	(113)	(200)	(200)	(200)
Change in LT Investment	(479)	(1,033)	(3,905)	(994)	(82)
Change in Other Assets	638	(8)	0	0	0
Free Cash Flow	2,482	(847)	(852)	2,695	4,617
Financing Cash Flow	(447)	(451)	(302)	(1,776)	(2,096)
Change in Share Capital	0	0	0	0	0
Net Change in Debt	(516)	8	276	(1,000)	(1,000)
Change in Other LT Liab.	69	(459)	(578)	(776)	(1,096)
Net Cash Flow	2,035	(1,298)	(1,154)	919	2,521

Source: KGI Research

Rates of Return on Invested Capital

Year	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= Operating Margin
2015	55.2%	5.7%	23.3%	15.8%
2016	46.8%	7.0%	24.8%	21.5%
2017F	48.4%	6.8%	23.5%	21.3%
2018F	51.4%	5.1%	23.5%	20.0%
2019F	50.2%	4.0%	23.5%	22.3%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net FFE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= Capital Turnover
2015	0.2	0.2	4.8	0.2
2016	(0.3)	0.2	5.8	0.2
2017F	0.3	0.2	5.6	0.2
2018F	0.2	0.2	4.2	0.2
2019F	0.2	0.1	3.3	0.3
Year	Operating Margin	x Capital Turnover	x Cash Tax Rate	= After-tax Return on Inv. Capital
2015	15.8%	0.2	17.3%	0.5%
2016	21.5%	0.2	18.3%	0.7%
2017F	21.3%	0.2	16.4%	0.6%
2018F	20.0%	0.2	16.6%	0.7%
2019F	22.3%	0.3	17.2%	1.1%

Source: KGI Research

AMATA Corporation PCL- Recommendation & target price history



Source: KGI Research

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KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).1.3
Under perform (U)	The stock's excess return* over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain typesofcommunications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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