



ALERT

Thailand

# AMATA Corporation PCL

(AMATA.BK/AMATA TB)\*

## Outperform Maintained

|                                |           |
|--------------------------------|-----------|
| Price as of 14 Nov 2017        | 23.80     |
| 12M target price (Bt/shr)      | 26.40     |
| Unchanged/Revised up (down)(%) | Unchanged |
| Upside/downside (%)            | 11.1      |

### Key messages

AMATA reported a 3Q17 net profit of Bt587mn (+220% YoY, +129% QoQ), beating the market expectation by 20%. Its 9M17 earnings made up 76% of our full-year forecast. The excellent earnings were driven by increased land transfers which contributed revenue of Bt897mn (+544% YoY, +109% QoQ), implying 160rai of land transfers. Gross margin was also good at 60% due to the high gross margin on land transfers. The brighter outlook is still intact so we maintain a rating of Outperform with an end-2018 target price of Bt26.40, based on SOTP valuation method.

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## 3Q17 earnings review: Fabulous quarter

### Event

AMATA reported a 3Q17 net profit of Bt587mn (+220%YoY, +129%QoQ), beating the market expectation by 20%. Its 9M17 net profit was Bt1.1bn, accounting for 76% of our full-year forecast.

### Impact

#### Industrial estate was the hero on increased land transfers

The company reported impressive revenue of Bt1.5bn (+114% YoY, +48% QoQ) on the back of better performances from every business unit. The key driver was revenue from industrial estate land sales of Bt897mn (+544% YoY, +109% QoQ), implying land transfers of about 160 rai. Note that this brought its 9M17 land transfers to about 300 rai, compared with our full-year land sales assumption of 650 rai.

#### Excellent gross margin of 60%

Gross margin was 60% compared to 46% in 2Q17 and 42% in 3Q16 bolstered by higher margin from the land sales business unit. Note that gross margin on land sales was 59% in 3Q17.

### Valuation and action

We rate AMATA Outperform with a 2018 target price of Bt26.40, based on the SOTP method. We derived the value for land sales and utilities at Bt20.20/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). Meanwhile, we 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.

### Risk

Geopolitical risk, economic slowdown, natural disaster, land acquisition, sector concentration, insufficient capital.

## 3Q17 earnings review

| Btmn                | 3Q17  | 3Q16 | YoY (%)    | 2Q17  | QoQ (%)    | 9M17  | 9M16  | YoY (%)    | Comment                      |
|---------------------|-------|------|------------|-------|------------|-------|-------|------------|------------------------------|
| Revenue             | 1,514 | 708  | 113.9      | 1,021 | 48.3       | 3,310 | 2,316 | 42.9       | Brought by higher land sales |
| Gross Profit        | 904   | 294  | 207.1      | 468   | 93.4       | 1,753 | 1,054 | 66.3       |                              |
| SG&A                | 215   | 163  | 31.9       | 226   | (5.1)      | 639   | 594   | 7.6        |                              |
| Operating Profit    | 721   | 178  | 305.2      | 261   | 175.9      | 1,180 | 589   | 100.4      |                              |
| Operating EBITDA    | 798   | 255  | 212.9      | 336   | 137.3      | 1,407 | 821   | 71.3       |                              |
| Non-Op Inc./(Exp)   | (34)  | 1    | (4,703.6)  | 26    | (231.0)    | (45)  | 15    | (388.8)    |                              |
| Net profit          | 587   | 183  | 220.5      | 256   | 129.2      | 1,093 | 455   | 140.2      |                              |
| Normalized profit   | 550   | 178  | 208.6      | 192   | 186.2      | 952   | 446   | 113.4      |                              |
| EPS (Bt)            | 0.55  | 0.17 | 220.5      | 0.24  | 129.2      | 1.02  | 0.43  | 140.2      |                              |
| Normalized EPS (Bt) | 0.52  | 0.17 | 208.6      | 0.18  | 186.2      | 0.89  | 0.42  | 113.4      |                              |
| Percent             | 3Q17  | 3Q16 | YoY (ppts) | 2Q17  | YoY (ppts) | 9M17  | 9M16  | YoY (ppts) |                              |
| Gross margin        | 59.7  | 41.6 | 18.1       | 45.8  | 13.9       | 53.0  | 45.5  | 7.4        |                              |
| EBIT margin         | 47.6  | 25.1 | 22.5       | 25.6  | 22.0       | 35.7  | 25.4  | 10.2       |                              |
| SG&A/sales          | 14.2  | 23.0 | (8.8)      | 22.2  | (8.0)      | 19.3  | 25.6  | (6.3)      |                              |
| Revenue             | 3Q17  | 3Q16 | YoY (%)    | 2Q17  | QoQ (%)    | 9M17  | 9M16  | YoY (%)    |                              |
| Sales Real estate   | 897   | 139  | 543.9      | 430   | 108.5      | 1,520 | 641   | 137.3      |                              |
| Utilities           | 459   | 435  | 5.6        | 440   | 4.4        | 1,332 | 1,286 | 3.5        |                              |
| Rental              | 158   | 134  | 18.3       | 151   | 4.5        | 458   | 389   | 17.7       |                              |
| Portion (%)         | 3Q17  | 3Q16 |            | 2Q17  |            | 9M17  | 9M16  |            |                              |
| Sales Real estate   | 59.2  | 19.7 |            | 42.1  |            | 45.9  | 27.7  |            |                              |
| Utilities           | 30.3  | 61.4 |            | 43.1  |            | 40.2  | 55.5  |            |                              |
| Rental              | 10.4  | 18.9 |            | 14.8  |            | 13.8  | 16.8  |            |                              |

Source: Company data, KGI Research

## KGI Locations

|                  |          |   |
|------------------|----------|---|
| <b>China</b>     | Shanghai | Room 1907-1909 , Tower A, No. 100 Zunyi Road,<br>Shanghai, PRC 200051   |
|                  | Shenzhen | Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road,<br>Shenzhen, PRC 518008   |
| <b>Taiwan</b>    | Taipei   | 700 Mingshui Road, Taipei, Taiwan<br>Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691  |
| <b>Hong Kong</b> |          | 41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong<br>Telephone 852.2878.6888 Facsimile 852.2878.6800                                  |
| <b>Thailand</b>  | Bangkok  | 8th - 11th floors, Asia Centre Building<br>173 South Sathorn Road, Bangkok 10120, Thailand<br>Telephone 66.2658.8888 Facsimile 66.2658.8014 |

## 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 types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.<br><br><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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