

AMATA (AMATA TB)

Amata Corporation

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	19.10	30.00	+57.1%	N/A	4

Consolidated earnings

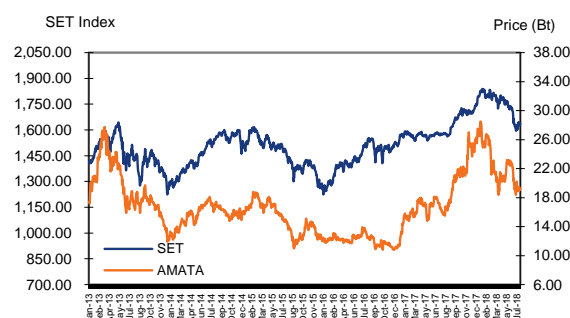
BT (mn)	2016	2017	2018E	2019E
Normalized earnings	1,371	1,776	1,721	1,975
Net profit	1,198	1,409	1,721	1,975
Normalized EPS (Bt)	1.29	1.66	1.61	1.85
EPS (Bt)	1.12	1.32	1.61	1.85
% growth	-1.5	17.6	22.1	14.8
Dividend (Bt)	0.54	0.81	0.32	0.54
BV/share (Bt)	13.35	14.03	16.69	18.91
EV/EBITDA (x)	13.6	14.7	13.9	11.4
Normalized PER (x)	14.9	11.5	11.8	10.3
PER (x)	17.0	14.5	11.8	10.3
PBV (x)	1.4	1.4	1.1	1.0
Dividend yield (%)	2.8	4.2	1.7	2.8
ROE (%)	9.6	11.9	10.5	11.3
YE No. of shares (million)	1,067	1,067	1,067	1,067
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

Share data

Sector	Property Development
Close (18/07/2018)	19.10
SET Index	1,635.85
Foreign limit/actual (%)	49.00/10.21
Paid up shares (million)	1,067.00
Free float (%)	80.43
Market cap (Bt m)	20,379.70
Avg daily T/O (Bt m) (2018 YTD)	422.67
hi, lo, avg (Bt) (2018 YTD)	29.00, 18.10, 22.69

Source: Setsmarts



Source: SET

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2Q18 profit set to slow after customers transfer lots of land in 1Q18

In 2Q18, we expect AMATA's land transfer to slow to only about 50 rai after customers transferred 107 rai of land in the previous quarter. Most of them are anticipated to come from Amata Thai-Chinese whose margin is not large. Although recurring utility sales and rental income continued to grow in line with the number of customers, they were unable to offset a decline in land sales. Given that, we expect AMATA's 2Q18 normalized earnings to fall 54% Q-Q and 10% Y-Y to Bt211mn. Assuming in-line results, the company's 1H18 normalized earnings are equal to just 36% of our full-year estimate. However, we are not worried about it since AMATA is in talks with several customers who have expressed interest to buy a piece of land, ranging from 20 to 200 rai. They are waiting for clarity over a piece of legislation related to the EEC bill before taking a decision. Hence, we retain our BUY rating on AMATA at our TP of Bt30.

Expect 2Q18 normalized earnings to fall 54% Q-Q and 10% Y-Y

In 1Q18, AMATA's profit beat estimates since the company's land transfers of 107 rai were higher than expected. Given that, we expect AMATA's land transfer to slow to only 50-60 rai in 2Q18; 50 rai of which are in Thailand, while the remaining are in Amata City, Bien Hoa in Vietnam. In Thailand, we believe that over 80% of the land that were transferred and realized as revenues are in Amata Thai-Chinese whose gross margin is not very wide. Hence, we anticipate the earnings of AMATA's IE unit to decrease both Q-Q and Y-Y in 2Q18. However, the company's utility unit generates quarterly income of Bt400mn, while its ready-built factory business has quarterly income of Bt150mn. They both offer recurring income, which continues to grow in line with the number of customers. As a result, we predict AMATA's 2Q18 revenues to fall 19.3% Q-Q and 11.0% Y-Y to Bt908.9mn and normalized earnings to amount to Bt211.4mn (-54.5% Q-Q, -10.3% Y-Y).

High demand for land, pending clarity over EEC-related bill

In 1H18, land sales are equal to just 130 rai. However, AMATA is yet to revise its 2018 land sales target of 925 rai because the company is talking to over 10 customers, each expressing interest to buy land of 20 to 200 rai. They are waiting for clarity over a piece of legislation related to the EEC bill in terms of privileges that foreign investors will receive. In the past, land sales and transfers normally peak in 2H. In Vietnam, although AMATA has not been able to sell any land this year, this does not concern us. Currently, AMATAV is waiting to transfer six hectares of land that it has sold. Furthermore, it has four hectares of land ready for sales. There is a high possibility that they will be sold and transferred in 2H18. Finally, we are not worried about 2019 as well since the land demand for investment in Vietnam is very high. However, there are delays in issuance of permits, land expropriation, and government consideration. Hence, there will be times that land sales are slow.

Maintain profit estimate, retain BUY rating at TP of Bt30

Assuming in-line 2Q18 earnings results, AMATA's 1H18 normalized earnings equal to Bt625mn (+23% Y-Y). Although it's enough to secure just 36% of our full-year estimate, we stand by our forecast because 70% of the profits normally come in the second half of the year. We like AMATA. Besides long-term benefits from the EEC bill, there are recurring incomes that continue to grow. They generate an annual profit of Bt600-700mn, which can help limit the downside to the company's earnings. We maintain our 2018 TP at Bt30 (PE 17x) and retain our BUY rating on AMATA.

Risks: A change in state policies in both Thailand and Vietnam, natural disasters

2Q18E Earnings Preview

(Bt=mn)	2Q18E	1Q18	%Q-Q	2Q17	%Y-Y
Sales revenue	909	1,027	-19.3	1,021	-11.0
Costs	472	487	-3.0	553	-14.7
Gross profit	437	640	-31.8	468	-6.6
SG&A costs	218	206	5.6	226	-3.7
Interest charge	53	54	-1.8	53	0.3
Norm profit	211	465	-54.5	236	-10.3
Net profit	211	413	-48.9	256	-17.4
Gross margin %	48.1	56.8	-8.8	45.8	2.3
Net margin %	23.3	36.7	-30.0	25.0	-1.8

Source: FSS Estimates

Income Statement (Consolidated)					
(Bt mn)	2015	2016	2017	2018E	2019E
Revenue	5,115	4,427	4,491	5,093	6,005
Cost of sales	2,824	2,070	2,078	2,385	2,792
Gross profit	2,291	2,357	2,413	2,708	3,213
SG&A	972	820	862	854	986
Operating profit	1,319	1,537	1,551	1,854	2,226
Other income	419	631	795	784	815
EBIT	1,738	2,168	2,345	2,639	3,042
EBITDA	2,046	2,496	2,662	2,993	3,410
Interest charge	306	266	-228	279	313
Tax on income	248	348	386	354	423
Earnings after tax	1,184	1,554	2,187	2,006	2,306
Minority interest	423	182	412	285	331
Normalized earnings	761	1,371	1,776	1,721	1,975
Extraordinary items	857	-240	-98	0	0
Net profit	1,216	1,198	1,409	1,721	1,975

Balance Sheet (Consolidated)					
(Bt mn)	2015	2016	2017	2018E	2019E
Cash	3,394	2,104	2,509	2,910	2,587
Accounts receivable	269	365	556	279	345
Inventory	7,555	7,642	6,892	7,518	7,832
Other current assets	127	107	99	171	190
Total current assets	11,345	10,218	10,057	10,878	10,954
Investments	12,758	15,065	16,548	16,738	16,483
Plant, property & equipment	1,055	1,022	1,969	1,195	2,059
Other assets	294	290	705	294	304
Total assets	25,451	26,596	29,280	29,106	29,801
Short-term loans	1,988	1,981	133	130	130
Accounts payable	458	446	510	449	525
Current maturities	1,869	2,124	623	750	950
Other current liabilities	780	1,311	894	381	250
Total current liabilities	5,096	5,863	2,160	1,710	1,855
Long-term debt	2,886	2,645	8,347	8,565	7,775
Other non-current liab.	3,970	3,848	3,801	2,522	2,646
Total non-current liab.	6,855	6,493	12,148	11,087	10,421
Total liabilities	11,951	12,356	14,308	12,797	12,277
Registered capital	1,067	1,067	1,067	1,067	1,067
Paid up capital	1,067	1,067	1,067	1,067	1,067
Share premium	174	174	174	174	174
Legal reserve	107	107	107	107	107
Retained earnings	9,823	10,600	11,208	12,838	13,730
Minority Interests	2,330	2,293	2,416	2,124	2,447
Shareholders' equity	13,501	14,240	14,971	16,309	17,524

Cash Flow Statement (Consolidated)					
(Bt mn)	2015	2016	2017	2018E	2019E
Net profit	1,893	1,358	2,019	2,075	2,398
Deprec. & amortization	308	327	316	354	368
Change in working capital	492	-195	-302	-343	-988
Other adjustments	201	543	-761	201	112
Cash flow from operations	2,893	2,033	1,272	2,287	1,890
Capital expenditure	-2,747	-2,586	-2,928	-2,111	-1,977
Others	5	-13	-234	12	-84
Cash flow from investing	-2,742	-2,599	-3,161	-2,099	-2,061
Free cash flow	151	-566	-1,889	188	-171
Net borrowings	-516	8	-2,639	550	450
Equity capital raised	0	0	0	0	0
Dividends paid	-1,445	-575	-859	-337	-576
Others	3,845	-165	-192	0	-25
Cash flow from financing	1,884	-732	-3,690	213	-151
Net change in cash	2,035	-1,298	-5,580	401	-323

Important Ratios (Consolidated)					
	2015	2016	2017	2018E	2019E
Growth (%)					
Revenue	-30.8	-13.5	1.5	13.4	17.9
EBITDA	-43.5	22.0	6.7	12.4	13.9
Net profit	-45.3	-1.5	17.6	22.1	14.8
Normalized earnings	-65.8	80.2	29.5	-3.1	14.8
Profitability (%)					
Gross profit margin	44.8	53.2	53.7	53.2	53.5
EBITDA margin	40.0	56.4	59.3	58.8	56.8
EBIT margin	34.0	49.0	52.2	51.8	50.7
Normalized profit margin	14.9	31.0	39.5	33.8	32.9
Net profit margin	23.8	27.1	31.4	33.8	32.9
Normalized ROA	2.99	5.16	6.06	5.9	6.6
Normalize ROE	5.64	9.63	11.86	10.5	11.3
Normalized ROCE	8.54	10.46	8.65	9.6	10.9
Risk (x)					
D/E	0.89	0.87	0.96	0.78	0.70
Net D/E	0.25	0.33	0.44	0.40	0.36
Net debt/EBITDA	1.64	1.86	2.48	2.18	1.84
Per share data (Bt)					
Reported EPS	1.14	1.12	1.32	1.61	1.85
Normalized EPS	0.71	1.29	1.66	1.61	1.85
EBITDA	1.92	2.34	2.49	2.80	3.20
Book value	0.14	-0.53	-1.77	0.18	-0.16
Dividend	12.65	13.35	14.03	16.69	18.91
Par	1.00	1.00	1.00	1.00	1.00
Valuations (x)					
P/E	16.8	17.0	14.5	11.8	10.3
Norm P/E	26.8	14.9	11.5	11.8	10.3
P/BV	1.5	1.4	1.4	1.1	1.0
EV/EBITDA	9.9	13.6	14.7	13.9	11.4
Dividend yield (%)	7.1	2.8	4.2	1.7	2.8

Source: Company data, FSS research

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Nakornratchasima

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Khonkaen

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Pratumtanee

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Pattane

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Aumhoe Meung, Pattane

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Udonthani

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Tumbon Mak Khaeng,
Aumhoe Muang Udon Thani,
Udon Thani

Measai

119 Moo 10,
Tumbon Maesai,
Aumhoe Muang, Cheangrai

Hatyai 2

106 Prachathipat Road,
Aumhoe Hadyai, Songkhla

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






Note: The expected return may change as market risks increase or decline.

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Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2017

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2017 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of July 31, 2017) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.