FINANSIA
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14 November 2018

Earnings Results

AMATA (AMATA TB)

Amata Corporation

Current	Previous	Close	2019 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	23.70	30.00	+ 26.6%	N/A	4

Consolidated earnings

BT (mn)	2016	2017	2018E	2019E
Normalized earnings	1,371	1,461	1,415	1,812
Net profit	1,198	1,409	1,520	1,812
Normalized EPS (Bt)	1.29	1.37	1.33	1.70
EPS (Bt)	1.12	1.32	1.42	1.70
% growth	80.2	17.6	7.8	19.2
Dividend (Bt)	0.54	0.81	0.32	0.54
BV/share (Bt)	13.35	14.03	15.69	17.11
EV/EBITDA (x)	15.8	16.6	15.5	12.8
Normalized PER (x)	18.4	14.2	17.9	14.0
PER (x)	21.1	17.9	16.6	14.0
PBV (x)	1.8	1.7	1.4	1.3
Dividend yield (%)	2.3	3.4	1.3	2.3
ROE (%)	9.63	9.8	10.5	11.3
YE No. of shares (mi	1,067	1,067	1,067	1,067
Par (Bt)	0.50	0.50	0.50	0.50

Source: Company data, FSS estimates

Analyst : Jitra Amornthum
Register No.: 014530
Tel.: +662 646 9966
email: jitra.a@fnsyrus.com
www.fnsyrus.com

Finansia Syrus Securities
@fnsyrus
@fnsyrus

3Q18 normalized earnings improve, supported by profit sharing from associates

3Q18 normalized earnings up 584.6% Q-Q and down 42.1% Y-Y

AMATA's 3Q18 net profit comes in at Bt300.9mn. Excluding FX loss of Bt60mn, the company's normalized earnings are equal to Bt360.9bn (+584.6% Q-Q, -42.1% Y-Y). In the July-September quarter, land transfers amounted to just 39 rai (vs. 56 rai in 2Q18 and 161 rai in 3Q17). Hence, transfer revenues dropped 22.5% Q-Q and 76.0% Y-Y to Bt214.8mn. It beats utility sales and rental income which continued to increase. As a result, total revenues were down by 2.9% Q-Q and dropped 42.9% Y-Y.

The sharp Q-Q increase is attributed to the profit sharing from Amata B.Grim Power which surged 134.9% Q-Q to Bt218.7mn. In addition, most of the land transfers made during the quarter were in Vietnam. As a result, overall gross margin sharply widened to 52.4%, up from 44.6% in 2Q18.

Cut 2018E net profit by 12% to factor in weaker-than-expected 4Q18 land transfer outlook

AMATA's 9M18 net profit amounts to Bt902mn (-17.5% Y-Y), sharply lower than our estimate. Looking ahead, although we expect the company's 4Q18 net profit to hit the peak of this year, its land transfers are likely to come in lower than our estimate. Hence, we have cut our 2018E net profit by 12% from Bt1.7bn to Bt1.5bn (+7.8% Y-Y). Nevertheless, we maintain our long-term bullish view toward AMATA. In 2019, we predict the company's net profit will jump 19.2% Y-Y, even though we have revised down our estimate by 5%. Such gain should be made possible by improved investment sentiment and increased international confidence. After which, we have rolled over to our 2019 TP of Bt30 (PE 17x).

Maintain BUY rating

AMATA maintains its 2018 land sales target at 925 rai, comprising 800 rai in Thailand and 125 rai in Vietnam. Although the company only sold 219 rai in 9M18, including 200 rai in Thailand and 19 rai in Vietnam, it currently has over 10 strong prospects. Each would like to buy 20 to 200 rai and should make a decision shortly. In Vietnam, although there are high demands, sales are slow due to a delay to acquire permits, land expropriation, and red tape. Finally, should AMATA misses its target this year, there is still a chance that customers will buy in the following years.

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

3Q18 Earnings Results

(Bt mn)	3Q18	2Q18	%Q-Q	3Q17	%Y-Y
Revenues	864	890	-2.9	1,514	-42.9
Cost of services	411	493	-16.7	609	-32.5
Gross profit	453	397	14.2	904	-49.9
SG&A	192	281	-31.6	215	-10.5
Interest expense	66	55	20.6	55	19.8
Share of profits from asso.	219	93	134.9	181	20.9
Normalized earnings	361	53	584.6	624	-42.1
Net profit	301	188	60.3	587	-48.7
EPS	0.28	0.18	55.6	0.55	-49.1
Gross margin (%)	52.4	44.6	7.9	59.7	-7.3
EBITDA margin (%)	61.8	34.7	27.1	65.7	-4.0
Net profit margin (%)	34.8	21.1	13.7	38.8	4.0

Comment

- In 3Q18, revenues decreased 2.9% Q-Q and 42.9% Y-Y due mainly to land transfers which were down to just 39 rai (vs. 56 rai in 2Q18 and 161 rai in 3Q17).
- Most of the land transfers in 3Q18 were in Amata City in Bien Hoa. Since they have high gross margin, they helped gross margin to widen Q-Q.
- AMATA's balance sheet is strong. The company's interest-bearing debt to equity ratio is low at just 0.83x.

Source: Company and FSS Research

Finansia Syrus Securities Public Company Limited

Head Office
999/9 The offices at Central World
18th, 25th Fl.,
Rama 1 Rd., Patumwan,
Bangkok

Thaisummit Tower
1768 Thaisammit Tower Building,
5th, 31th Fl., New Petchburi Road,
Bangkapi, Huaykwang,
Bangkok

Alma Link
9th, 14th, 15th Fl.,
Alma Link Building 25
Soi Chidlom, Ploenchit, Lumpini,
Patumwan, Bangkok

Amarin Tower
496-502 Amarin Tower
20th Floor, Pleonchit,
Lumpini, Pathumwan,
Bangkok

Central Pinklao 1
7/129-221 Central Pinklao Office
Building, Room 2160/1, 16th Fl.,
Baromratchonnanee Road,
Arunamarin, Bangkoknoi, Bangkok

Bangkapi
3105 N Mark Building, 3rd Floor,
Room A3R02, Ladprao Road,
Klongjan, Bangkapi, Bangkok

Bangna
589 Tower 1 Office, 19th Floor,
Room 589/105 Moo 12,
Bangna-Trad Road, Bangna,
Bangkok

Sindhorn 1
130-132 Sindhorn Building 1,
2rd Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Kian Gwan (Sindhorn 2)
140/1 Kian Gwan House II
18th Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Sindhorn 3
130-132 Sindhorn Building 3,
19th Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Ladprao
555 Rasa Tower 2, 11st Floor,
Unit 1106, Phaholyothin Road,
Chatuchak, Bangkok

Prachachuen
105/1 B Building, 4th Floor,
Thessabansongkhrao Road,
Ladyao, Jutujak, Bangkok

Rang sit
1/832 Moo 17
Kukod, Lumlookka
Pratumtanee

Abdulrahim
990, Abdulrahim Place, 12nd Fl.,
Room 1210, Rama IV Road,
Silom, Bangrak, Bangkok

Rattanatibet
576 Rattanatibet Road,
Tumbon Banggrasor,
Aumphoe Muang, Nonthaburi

Sriracha
135/99 (G fl.) Sukumvit Road,
Tumbon Sriracha
Aumphoe Sriracha, Chonburi

Khonkaen 1
311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 2
26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Khonkaen 3
311/1
Khang Meung Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Udonthani
197/29, 213/3
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Chiangmai 1
308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2
310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 3
Maliplace Building 32/4 moo 2
1 fll., Room B1-1, B1-2
Tumbon Maehia
Chiangmai

Chiangrai
353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai
119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima
1242/2 Room A3, 7 fl.,
The Mall Ratchasima
Mittraphap rood Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Samutsakorn
813/30 Norrasing Road,
Tumbon Maha Chai,
Aumphoe Meungsamutsakorn,
Samutsakorn

Phuket
22/18 Luangporwatchalong Road,
Tumbon Talad Yai,
Amphoe Muang Phuket,
Phuket

Hatyai 1
200/221, 200/223
Juldis Hadyai Plaza, 2rd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Hatyai 2
106 Prachathipat Road,
Aumphoe Hadyai, Songkhla

Hatyai 3
200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2rd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Trang
59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumphoe Meungtrang, Trang

Suratthani
173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

Pattane
300/69-70 Moo 4,
Tumbon Rusamirae,
Aumphoe Meung, Pattane

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.

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

IOD (IOD Disclaimer)

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment (**"listed companies"**) disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

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.