

AMATA (AMATA TB)

Amata Corporation

Current

BUY

Previous

BUY

Close

21.70

2019 TP

28.00

Exp Return

+ 29.0%

THAI CAC

Declared

CG 2018

5

Consolidated earnings

BT (mn)	2017	2018	2019E	2020E
Normalized earnings	1,508	1,218	1,684	1,847
Net profit	1,409	1,018	1,684	1,847
Normalized EPS (Bt)	1.41	1.14	1.58	1.73
EPS (Bt)	1.32	0.95	1.58	1.73
% growth	17.6	-27.8	65.4	9.7
Dividend (Bt)	0.33	0.24	0.39	0.43
BV/share (Bt)	11.77	12.15	13.52	14.21
EV/EBITDA (x)	17.6	26.7	17.1	15.6
Normalized PER (x)	15.4	19.0	13.7	12.5
PER (x)	16.4	22.7	13.7	12.5
PBV (x)	1.8	1.8	1.6	1.5
Dividend yield (%)	1.5	1.1	1.8	2.0
ROE (%)	11.5	8.0	12.3	12.5
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

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Profit sharply misses estimate due to AMATAV and land transfer

4Q18 normalized earnings down 5.8% Q-Q and 5% Y-Y

AMATA's 4Q18 net profit comes in at Bt116.2mn (-61.4% Q-Q, -63.2% Y-Y). It's sharply below our estimate due to the followings.

1. AMATA booked additional penalty payment of Bt222.4mn after AMATAV failed to pay its rent of land in time because Vietnam introduced a new bill in 2016 with different terms and conditions.
2. AMATA set aside an impairment of Bt38.5mn on its building for rent.
3. AMATA transferred land at Amata City Rayong, which has low margin. As a result, the gross margin from the company's sales of land narrowed to 60.2% (vs. 66.1% in 9M18).

Excluding them, AMATA's normalized earnings are equal to Bt340mn (-5.8% Q-Q, -5.0% Y-Y). It's still lower than our estimate because most of the land transferred have low selling price.

Positive signals: land sales and transfers accelerate in 4Q18

Although AMATA's normalized earnings are below our estimate, there are positive signals from land sales and transfers. Specifically, AMATA recorded land sales of 629 rai in 4Q18. That sent the company's 2018 land sales to 848 rai, including 823 in Thailand (vs. its target of 800 rai) and 25 rai in Vietnam (vs. its target of 125 rai). In the October-December quarter, land transfers were high at 237 rai. As a result, transfer revenue hit the peak of last year. On a full-year basis, 2018 land transfer amounted to 454 rai (flat Y-Y).

4Q18 land transfer makes it possible for AMATA to hit target

AMATA's 2018 net profit amounts to about Bt1bn (-27.8% Y-Y). Excluding extra items, the company's normalized earnings are equal to Bt1.2bn (-19.2% Y-Y). Although 2018 land transfer was flat Y-Y, their selling price was lower because they were from the industrial estate in Rayong and at Amata Thai-Chinese. As a result, revenue from land transfer and gross margin decreased. However, utility sales and rent from ready-built factory increased. They help 2018 revenues decrease by just 3.1% Y-Y.

Maintain BUY rating

We stand by our view for a recovery this year. In particular, we see a signal after sales accelerated late last year. Moreover, there are impacts from trade wars which make it easier for a number of customers to decide to relocate or diversify their production base to Thailand. In this regard, we expect AMATA's 2019 normalized earnings to jump 16.9% Y-Y to Bt1.7bn. Finally, we retain our BUY rating on AMATA at our 2019 TP of Bt28 (PE 17x).

Risks: A change in government policy in both Thailand and Vietnam, natural disasters

4Q18 Earnings Results

(Bt mn)	4Q18	3Q18	%Q-Q	4Q17	%Y-Y	Comment
Revenues	1,473	864	70.5	1,182	24.7	<ul style="list-style-type: none"> In 4Q18, revenues hit the peak of last year after AMATA transferred land of 237 rai. Moreover, rent from ready-built factory also increased, while utility sales steadied at a high level, close to that in 3Q18. Gross and EBITDA margins sharply narrowed because the land transferred in 4Q18 were mostly from Amata Thai-Chinese (146 rai) and Amata City Rayong (79 rai). In addition, AMATA transferred 12 rai of land in Vietnam. They have low selling price. In 4Q18, AMATA did not transfer any land in Chonburi, which has high margin. AMATA's balance sheet is strong. The company's interest-bearing debt to equity ratio was low at just 0.79x.
Cost of services	710	411	72.8	521	36.1	
Gross profit	763	453	68.4	660	15.6	
SG&A	345	192	79.6	224	54.3	
Interest expense	70	66	5.7	64	9.1	
Normalized earnings	340	361	-5.8	358	-5.0	
Net profit	116	301	-61.4	316	-63.2	
Gross margin (%)	51.8	52.4	-0.6	55.9	-4.1	
EBITDA margin (%)	36.3	61.8	-7.1	48.9	-10.6	
Net profit margin (%)	7.9	34.8	-26.9	26.8	-18.9	

Source: Company and FSS Research

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Chiangmai 1

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Muang
Chiangmai

Nakornratchasima

1242/2 Room A3, 7 fl.,
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Mittraphap rood Tumbon Nai Muang
Aumhoe Muang Nakornratchasima
Nakornratchasima

Hatyai 3

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Khonkaen 1

311/16 2nd Floor, Klangmeung
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Aumhoe Meung,
Khonkaen

Chiangmai 2

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Chang Klan R., Chang Klan
Muang
Chiangmai

Samutsakorn

813/30 Norrasing Road,
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Aumhoe Meungsamutsakorn,
Samutsakorn

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Bangkok

Rang sit

1/832 Moo 17
Kukod, Lumlookka
Pratumtanee

Khonkaen 2

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Aumhoe Meung Khonkaen,
Khonkaen

Chiangmai 3

Maliplace Building 32/4 moo 2
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Tumbon Maehia
Chiangmai

Phuket

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Tumbon Talad Yai,
Amphoe Muang Phuket,
Phuket

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Tumbon Makamtia,
Aumhoe Mueang, Suratthani

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Abdulrahim

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Khonkaen 3

311/1
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Aumhoe Meung Khonkaen,
Khonkaen

Chiangrai

353/15 Moo 4,
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Aumhoe Muang, Cheangrai

Hatyai 1

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

Pattane

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

Central Pinklao 1

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Udonthani

197/29, 213/3
Udon Dusadee Road,
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 2018

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)

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

1 CG Score 2018 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 August 31, 2018) are categorised into:

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