

Amata Corporation PCL

(AMATA.BK/AMATA TB) *

Neutral • Maintained

Price as of 15 May 2019	21.80
12M target price (Bt/shr)	25.00
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	14.7

Key messages

AMATA posted 1Q19 earnings of Bt277mn (-33% YoY, +138% QoQ). The result was in line with our forecast but 8% below the Bloomberg consensus. The 1Q19 result accounted for 16% of our full-year forecast. The drop YoY was mainly from fewer land transfers while the significant increase QoQ was from one-time penalty charge of ~Bt200mn to a Vietnamese government agency in 4Q18. Given the company's solid backlog and good momentum in land sales, our 2019 earnings forecast is likely to be achieved. Positive developments in Thailand's politics would increase investor confidence, so weakness in the share price would offer a chance to accumulate in order to capture good earnings momentum in 2H19. We currently rate the counter Neutral with a 2019 target price of Bt25.00 based on SOTP valuation method.

1Q19 earnings review: In line
Event

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Impact
Acceptable land transfers of 80 rai in 1Q19 and a good start for land sales

Land transfers: AMATA delivered acceptable land transfers in the first quarter at 80 rai which accounted for 13% of our full-year assumption of 611 rai. Of that, 70% came from Amata Thai-Chinese Rayong while the rest came from Amata City Chonburi. Average selling price was Bt4.9mn, improving from 4Q18 due to a better portfolio mix. However, gross margin dropped to 40% (versus 72% in 1Q18 and 30% in 4Q18) as the company resold 50 rai of land in Rayong. Currently, the company has a solid backlog of Bt3.7bn, implying approximately 700 rai of land, of which 15% is located in Chonburi and the rest is located in Rayong. Its backlog has already surpassed our 2019 land transfers assumption. Note that the company estimates 60% of the backlog would be transferred this year.

Land sales: The company achieved okay pre-land sales in the first quarter of 127 rai, showing significant growth from 24 rai in 1Q18 but softening from 629 rai in 4Q18 due to seasonality. Its 1Q19 pre-land sales accounted for 16% of our full-year assumption of 800 rai (company targets 950 rai). Currently, AMATA also has letter of intent for about 100 rai of land.

Utility and rental business remain good

Utility and rental business continue to act as recurring income for the company, accounting for 60% of 1Q19 revenue. Revenue from utility business was Bt471mn (+8% YoY, -1%QoQ) with a healthy gross margin of 34%. Revenue from rental business was Bt182mn (+10% YoY, +1%QoQ) with a higher gross margin of 75%, up from 70% in 4Q18 and 1Q18.

2Q19 earnings have the potential to increase both YoY and QoQ

We expect earnings to improve both YoY and QoQ in 2Q19 propelled by i) land transfers on solid backlog, and ii) power business without planned maintenance shutdown.

Valuation & Action

AMATA's share price has swung in the range of Bt21.0-Bt23.0 since the beginning of this year which may reflect a lackluster performance due to investors delaying their decision awaiting improvements in global growth, Brexit, US-China trade war, and government policy from the upcoming cabinet. There is now a clearer picture for Thailand's political situation which may increase investor confidence and give positive sentiment to the share price. Given its solid backlog, we believe our 2019 earnings forecast is achievable. Upside to our target price of 14.7% from the last closing price would offer a good chance to accumulate on weakness in order to enjoy the earnings momentum in the second half of the year. We currently rate the counter Neutral with a 2019 target price of Bt25.00 based on SOTP valuation method.

Risks

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

Figure 1: AMATA's 1Q19 earnings preview

Btmn	1Q19F	1Q18	YoY (%)	4Q18	QoQ (%)
Revenue	1,044	1,127	(7.3)	1,473	(29.1)
Gross Profit	454	640	(29.1)	763	(40.5)
SG&A	202	206	(2.2)	345	(41.5)
Operating Profit	281	461	(38.9)	443	(36.4)
Operating EBITDA	355	531	(33.2)	521	(31.9)
Non-Op Inc./(Exp)	(25)	(44)	(42.9)	(216)	(88.2)
Net profit	277	413	(33.1)	116	138.1
Normalized profit	312	465	(32.9)	340	(8.3)
EPS (Bt)	0.26	0.39	(33.1)	0.11	138.1
Normalized EPS (Bt)	0.29	0.44	(32.9)	0.32	(8.3)
Percent	1Q19F	1Q18	YoY (ppts)	4Q18	YoY (ppts)
Gross margin	43.5	56.8	(13.4)	51.8	(8.3)
EBIT margin	27.0	40.9	(13.9)	30.1	(3.1)
SG&A/sales	19.3	18.3	1.0	23.4	(4.1)
Revenue	1Q19F	1Q18	YoY (%)	4Q18	QoQ (%)
Sales Real estate	392	525	(25.4)	818	(52.1)
Utilities	471	436	8.0	474	(0.7)
Rental	182	166	9.5	181	0.5
Assumption	1Q19F	1Q18	YoY (%)	4Q18	QoQ (%)
Land sales (rai)	127	24	429.2	629	(79.8)
Land Transfer (rai)	80	107	(25.2)	237	(66.2)
ASP (Btmn/rai)	4.9	4.9	(0.2)	3.5	41.9

Source: Company data, KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	HMPRO	HOME PRODUCT CENTER	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	INTUCH	SHIN CORPORATION	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	IRPC	IRPC	ROBINS	ROBINSON DEPARTMENT STORE
AP	ASIAN PROPERTY DEVELOPMENT	IVL	INDORAMA VENTURES	SAMART	SAMART CORPORATION
BANPU	BANPU	KBANK	KASIKORN BANK	SAMTEL	SAMART TELCOMS
BCP	THE BANGCHAK PETROLEUM	KCE	KCE ELECTRONICS	SCB	THE SIAM COMMERCIAL BANK
BTS	BTS GROUP HOLDINGS	KKP	KIATNAKIN BANK	SCC	THE SIAM CEMENT
CK	CH. KARNCHANG	KTB	KRUNG THAI BANK	SCCC	SIAM CITY CEMENT
CPF	CHAROEN POKPHAND FOODS	KTC	KRUNGTHAI CARD	SPALI	SUPALAI
CPN	CENTRAL PATTANA	LPN	L.P.N. DEVELOPMENT	SPRC	STAR PETROLEUM REFINING
DELTA	DELTA ELECTRONICS (THAILAND)	MINT	MINOR INTERNATIONAL	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DTAC	TOTAL ACCESS COMMUNICATION	MONO	MONO TECHNOLOGY	SVI	SVI
EASTW	EASTERN WATER RESOURCES DEVELOPMENT AND MANAGE	PLANB	PLAN B MEDIA	TCAP	THANACHART CAPITAL
EGCO	ELECTRICITY GENERATING	PSH	PRUKSA HOLDING	THCOM	THAICOM
GFPT	GFPT	PTT	PTT	TISCO	TISCO FINANCIAL GROUP
GPSC	GLOBAL POWER SYNERGY	PTTEP	PTT EXPLORATION AND PRODUCTION	TMB	TMB BANK
GUNKUL	GUNKUL ENGINEERING	PTTGC	PTT GLOBAL CHEMICAL	TOP	THAI OIL
HANA	HANA MICROELECTRONICS	PYLON	PYLON	TRUE	TRUE CORPORATION



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAWAD	SRI SAWAD POWER 1979
AMATA	AMATA CORPORATION	GLOBAL	SIAM GLOBAL HOUSE	SCI	SCI ELECTRIC
BBL	BANGKOK BANK	GLOW	GLOW ENERGY	SCN	SCAN INTER
BCPG	BCPG	LH	LAND AND HOUSES	SEAFCO	SEAFCO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	MAJOR	MAJOR CINEPLEX GROUP	SIRI	SANSIRI
BEM	BANGKOK EXPRESSWAY AND METRO	MAKRO	SIAM MAKRO	SMT	STARS MICROELECTRONICS (THAILAND)
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MTLS	MUANGTHAI LEASING	TKN	TAOKAENOI FOOD & MARKETING
CKP	CK POWER	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
DCC	DYNASTY CERAMIC	RS	RS	TWPC	THAI WAH



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AMA	AMA MARINE	BPP	BANPU POWER	SQ	SAHAKOL EQUIPMENT
BA	BANGKOK AIRWAYS	CBG	CARABAO GROUP	TPCH	TPC POWER HOLDING
BCH	BANGKOK CHAIN HOSPITAL	LPH	LADPRAO GENERAL HOSPITAL		
BH	BUMRUNGRAD HOSPITAL	SAPPE	SAPPE		

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
BGRIM	B. GRIMM POWER	TOA	TOA PAINT (THAILAND)	WHAUP	WHA UTILITIES AND POWER
CPALL	CP ALL	UNIQ	UNIQUE ENGINEERING AND CONSTRUCTION	WORK	WORKPOINT ENTERTAINMENT
THAI	THAI AIRWAYS INTERNATIONAL	WHA	WHA CORPORATION		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENDEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SIRISAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

KGI Locations

China	Shanghai	Room 1507, Park Place, 1601 Nanjing West Road, Jingan District, Shanghai, PRC 200040
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826

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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)
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.
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. <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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