

21 May 2018

Property | Real Estate

## Amata Corporation

**Buy** (Maintained)

### Landbank Size Does Matter

Post our meeting with the BOI, we maintain our BUY call and SOP-based TP of THB26, offering 13% upside. With the recent enforcement of the EEC Act, we expect Amata to be among the first wave of beneficiaries given the abundant industrial landbank on hand that is within the EEC promotional zones.

**Going ahead with EEC promotional zones.** We maintain our view that industrial estate developers with abundant landbank declared as Eastern Economic Corridor (EEC) promotional zones will be at an advantage, before town planning laws for the three provinces under the EEC scheme are enforced. We expect enforcement to occur in 1Q19.

At our meeting with the Board of Investment (BOI), it was confirmed that FDI investors could go ahead with their investment plans if they invest in the 20 industrial estates declared as EEC promotional zones (Figure 1), without any concerns over new town planning laws. FDI investors with investment plans outside of these 20 estates will have to face the risk of possible changes in town planning laws at some specific locations.

**Amata has first mover advantage.** As shown in Figure 1, we believe Amata has the greatest advantage among industrial estate developers in the EEC area. This is as both Amata City Chonburi (formerly known as Amata Nakorn) and Amata City Rayong are within the EEC promotional areas, with total land area of 41,835 rai (6,693 ha) declared as EEC promotional zones – the largest area compared to other industrial estate players and accounting for 48% of overall industrial land plots declared in the EEC area.

WHA Corp (WHA TB, NR) is second with 34,434 rai (5,509-ha) declared, or 40% of overall industrial land plots declared. Therefore, these two large players are expected to dominate the overall industry for industrial land sales over the near term. However, we believe Amata will have a greater advantage over the long term as its two industrial estates are well known in terms of quality, and offer full facilities, with strong potential to tap FDI investors in more diversified industries under the EEC scheme.

**Stronger presales momentum in 2H18.** Although Amata's industrial land presales in 1Q18 were quite negligible at 28 rai (4.5 ha) at its two estates in Thailand, we expect FDI inflows to the EEC to materialise from now on, with the bulk of land presales skewed towards 2H18. We believe management's FY18 presales target of 925 rai (148 ha) for all its industrial estates in Thailand and Vietnam should be achievable, as nine out of EEC's 10 targeted industries, especially next-generation automotive, intelligent electronics, and aviation & logistics, are key focus areas for Amata City projects in both Chonburi and Rayong.

**Maintain BUY.** Our TP of THB26 is based on 5% discount to NAV. With the enforcement of the EEC Act and before town planning laws within the EEC area are finalised, we believe Amata, with its abundant and strategically located landbank in this area, will be the biggest beneficiary.

Target Price:	THB26.00
Price:	THB23.10
Market Cap:	USD766m
Bloomberg Ticker:	AMATA TB

#### Share Data

Avg Daily Turnover (THB/USD)	367m/11.7m
52-wk Price low/high (THB)	15.4 - 28.5
Free Float (%)	80
Shares outstanding (m)	1,067
Estimated Return	13%

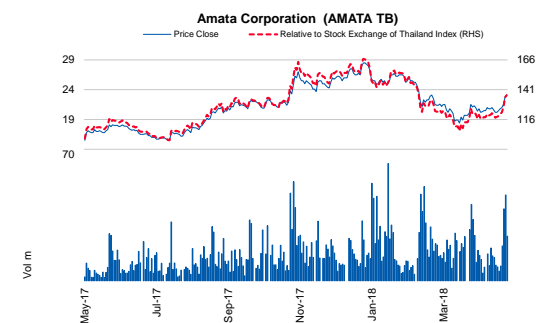
#### Shareholders (%)

Mr Vikrom Kromadit	17.9
Thai NVDR	7.1
Kasikorn Asset Management	3.6

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.2)	7.4	(12.8)	(12.0)	54.0
Relative	(11.2)	8.4	(9.9)	(14.6)	40.5

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (THBm)	4,427	4,491	5,470	6,282	6,668
Reported net profit (THBm)	1,198	1,409	1,593	1,829	1,918
Recurring net profit (THBm)	1,394	1,494	1,593	1,829	1,918
Recurring net profit growth (%)	174.7	7.2	6.6	14.8	4.9
Recurring EPS (THB)	1.31	1.40	1.49	1.71	1.80
DPS (THB)	0.45	0.53	0.60	0.69	0.73
Recurring P/E (x)	17.7	16.5	15.5	13.5	12.8
P/B (x)	2.18	2.03	1.87	1.72	1.59
Dividend Yield (%)	1.9	2.3	2.6	3.0	3.2
Return on average equity (%)	11.0	12.0	12.6	13.3	12.9
Return on average assets (%)	4.6	5.0	5.1	5.3	5.2
Net debt to equity (%)	31.9	43.2	43.1	37.8	37.9
Our vs consensus EPS (adjusted) (%)			(7.0)	(8.3)	(14.9)

Source: Company data, RHB

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## Financial Exhibits

Financial model updated on : 2018-05-21.

Asia		<b>Financial summary</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
Thailand		Recurring EPS (THB)	1.31	1.40	1.49	1.71	1.80
Property		EPS (THB)	1.12	1.32	1.49	1.71	1.80
<b>Amata Corp</b>		DPS (THB)	0.45	0.53	0.60	0.69	0.73
Bloomberg	AMATA TB	BVPS (THB)	10.6	11.4	12.3	13.4	14.5
<b>Buy</b>		Weighted avg adjusted shares (m)	1,067	1,067	1,067	1,067	1,067
<b>Valuation basis</b>		<b>Valuation metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
NAV		Recurring P/E (x)	17.7	16.5	15.5	13.5	12.8
<b>Key drivers</b>		P/E (x)	20.6	17.5	15.5	13.5	12.8
i. Stronger FDI inflow into Thailand especially driven by the Government's EEC scheme;		P/B (x)	2.18	2.03	1.87	1.72	1.59
ii. Significant progress in business expansion into other ASEAN countries.		FCF Yield (%)	4.0	(1.1)	6.0	6.9	5.1
<b>Key risks</b>		Dividend Yield (%)	1.9	2.3	2.6	3.0	3.2
i. Continued stagnant FDI inflows into Thailand or an unsuccessful EEC scheme;		EV/EBITDA (x)	13.3	13.9	11.5	10.1	9.7
ii. Intensified political risks.		EV/EBIT (x)	16.1	16.8	13.8	12.0	11.7
<b>Company Profile</b>		<b>Income statement (THBm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
Amata Corporation (Amata) is engaged in developing and managing industrial estates on the Eastern Seaboard of Thailand and in Vietnam. The company, together with its subsidiaries, also provides a range of industrial utilities such as power, water, and natural gas.		Total turnover	4,427	4,491	5,470	6,282	6,668
		Gross profit	2,357	2,413	2,875	3,253	3,423
		EBITDA	1,864	1,867	2,283	2,571	2,722
		Depreciation and amortisation	(327)	(316)	(385)	(421)	(468)
		Operating profit	1,537	1,551	1,898	2,150	2,254
		Net interest	(266)	(228)	(258)	(261)	(242)
		Income from associates & JVs	325	676	432	461	498
		Pre-tax profit	1,662	2,019	2,327	2,663	2,862
		Taxation	(304)	(283)	(360)	(401)	(439)
		Minority interests	(159)	(327)	(374)	(432)	(505)
		Recurring net profit	1,394	1,494	1,593	1,829	1,918
		<b>Cash flow (THBm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
		Change in working capital	530	293	(1,733)	(952)	(415)
		Cash flow from operations	1,648	1,185	2,706	2,502	2,676
		Capex	(659)	(1,465)	(1,238)	(795)	(1,408)
		Cash flow from investing activities	(2,027)	(2,826)	(3,067)	(1,353)	(1,979)
		Dividends paid	(680)	(533)	(598)	(662)	(758)
		Cash flow from financing activities	(921)	1,462	591	(1,322)	(1,016)
		Cash at beginning of period	3,056	1,758	1,275	1,505	1,332
		Net change in cash	(1,300)	(179)	230	(173)	(320)
		Ending balance cash	1,758	1,275	1,505	1,332	1,012
		<b>Balance sheet (THBm)</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
		Total cash and equivalents	2,104	2,509	3,037	2,590	1,599
		Tangible fixed assets	9,518	11,293	12,764	13,485	15,052
		Total investments	6,677	7,513	8,427	8,912	9,526
		Total other assets	183	416	227	251	309
		Total assets	26,596	29,280	33,657	35,768	37,731
		Short-term debt	4,005	625	611	1,281	337
		Total long-term debt	2,645	8,347	9,561	8,191	8,824
		Other liabilities	183	223	254	415	287
		Total liabilities	12,356	14,308	17,121	17,578	17,804
		Shareholders' equity	11,288	12,165	13,160	14,328	15,489
		Minority interests	2,293	2,416	2,790	3,222	3,728
		Total equity	14,240	14,971	16,536	18,190	19,927
		Net debt	4,546	6,462	7,135	6,883	7,562
		Total liabilities & equity	26,596	29,280	33,657	35,768	37,731
		<b>Key metrics</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
		Revenue growth (%)	(13.5)	1.5	21.8	14.8	6.1
		Recurrent EPS growth (%)	174.7	7.2	6.6	14.8	4.9
		Gross margin (%)	53.2	53.7	52.6	51.8	51.3
		Operating EBITDA margin (%)	42.1	41.6	41.7	40.9	40.8
		Net profit margin (%)	27.1	31.4	29.1	29.1	28.8
		Dividend payout ratio (%)	56.7	37.8	37.5	36.2	39.5
		Capex/sales (%)	14.9	32.6	22.6	12.6	21.1
		Interest cover (x)	5.77	6.80	7.37	8.25	9.32

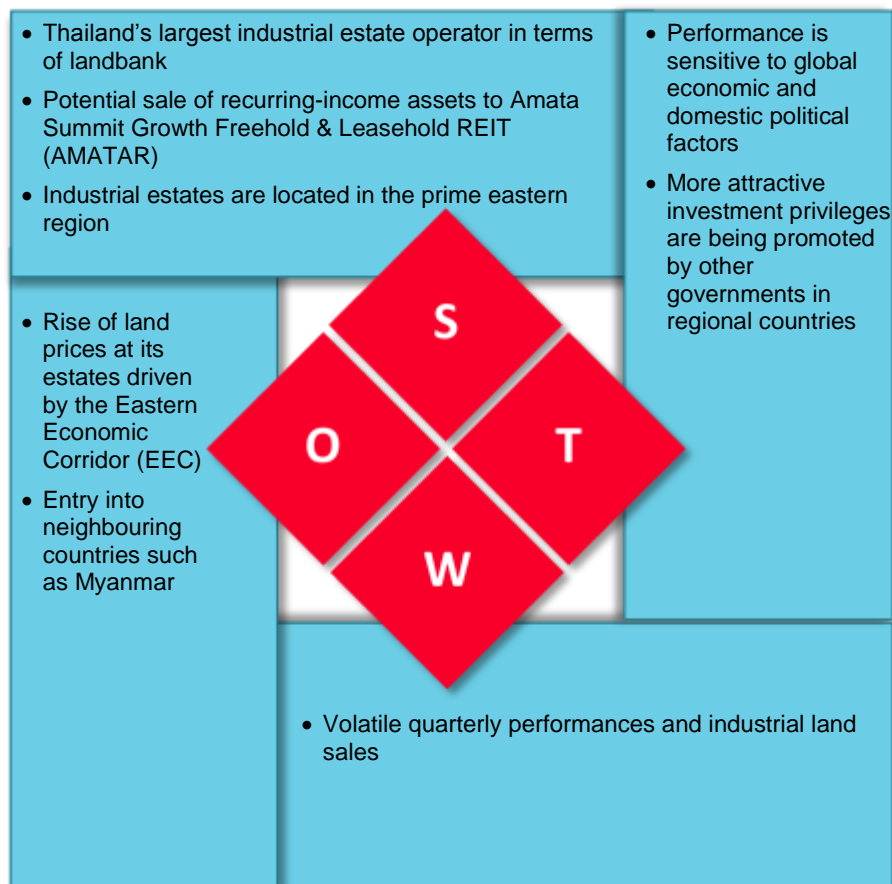
Source: Company data, RHB

Figure 1: List of industrial estates declared as EEC promotional zones

Developers	Industrial estates	Locations	Land declared as EEC promotional zone	Targeted industries
Amata Corp	Amata City Rayong	Rayong, Chonburi	16,895 rai (2,703 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>High wealth &amp; Medical tourism</li> <li>Aviation &amp; Logistics</li> </ul>
	Amata City Chonburi	Chonburi	18,840 rai (3,029 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>High wealth &amp; Medical tourism</li> <li>Robotics</li> <li>Aviation &amp; Logistics</li> <li>Digital</li> </ul>
	Amata City Chonburi (Project 2)	Chonburi	6,100 rai (976 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>High wealth &amp; Medical tourism</li> <li>Advance agriculture &amp; Biotechnology</li> <li>Food processing</li> <li>Robotics</li> <li>Aviation &amp; Logistics</li> <li>Digital</li> <li>Comprehensive healthcare</li> </ul>
WHA Corp	WHA Chonburi	Chonburi	3,482 rai (557 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> <li>Digital</li> </ul>
	WHA Chonburi 2	Chonburi	632 rai (101 ha)	<ul style="list-style-type: none"> <li>Aviation &amp; Logistics</li> <li>Intelligent electronics</li> <li>Digital</li> </ul>
	WHA Eastern Seaboard	Rayong	8,003 rai (1,280 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Robotics</li> </ul>
	WHA Eastern Seaboard 2	Chonburi	3,502 rai (560 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Robotics</li> </ul>
	WHA Eastern Seaboard 3	Chonburi	2,198 rai (352 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> <li>Robotics</li> </ul>
	WHA Eastern Seaboard 4	Rayong	1,900 rai (304 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> <li>Robotics</li> </ul>
	Eastern Seaboard (Rayong)	Rayong	9,689 rai (1,550 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> </ul>
	WHA Eastern (Map Ta Phut)	Rayong	3,747 rai (600 ha)	<ul style="list-style-type: none"> <li>Biofuel &amp; Biochemical</li> </ul>
	WHA Rayong 36	Rayong	1,281 rai (205 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> <li>Robotics</li> </ul>
Pinthong Industrial Park	Pinthong (Laem Chabang)	Chonburi	704 rai (113 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> </ul>
	Pinthong (Project 3)	Chonburi	1,561 rai (250 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> </ul>
	Pinthong (Project 4)	Chonburi	654 rai (105 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Food processing</li> <li>Robotics</li> <li>Aviation &amp; Logistics</li> <li>Digital</li> <li>Biofuel &amp; Biochemical</li> </ul>
	Pinthong (Project 5)	Chonburi	1,472 rai (236 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Food processing</li> <li>Robotics</li> <li>Aviation &amp; Logistics</li> <li>Digital</li> <li>Biofuel &amp; Biochemical</li> </ul>
	Pinthong	Chonburi	1,357 rai (217 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> </ul>
Thai Factory Development (TFD TB, NR)	TFD 2	Chachoengsao	841 rai (135 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Aviation &amp; Logistics</li> </ul>
CP Land	CP Rayong	Rayong	3,068 rai (491 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Intelligent electronics</li> <li>Digital</li> <li>Comprehensive healthcare</li> </ul>
American Builder	Yamato Industries	Chonburi	690 rai (110 ha)	<ul style="list-style-type: none"> <li>Next-generation automotive</li> <li>Aviation &amp; Logistics</li> <li>Robotics</li> </ul>
<b>Total</b>			<b>86,616 rai (13,859 ha)</b>	

Source: EEC Office

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-05-16	Buy	26.0	21.5
2018-04-19	Buy	26.0	21.1
2017-11-07	Buy	26.0	21.7
2017-07-14	Neutral	18.5	16.3
2017-04-07	Neutral	18.5	17.1
2015-11-16	Buy	21.0	14.6
2015-08-04	Buy	21.0	13.8
2015-02-24	Buy	21.0	18.6
2014-12-15	Buy	21.0	15.5
2014-08-25	Buy	21.0	17.1

Source: RHB, Bloomberg

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