

AMATA CORPORATION PLC

No. 91/2018
5 July 2018

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
27/06/17	A	Stable

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RATIONALE

TRIS Rating affirms the company rating and the ratings of the outstanding senior unsecured debentures of Amata Corporation PLC (AMATA) at “A”. The ratings reflect the company’s proven record as one of the leading industrial estate developers in Thailand. The ratings also reflect a sizable base of recurring revenues from utility services and dividend AMATA receives from a number of investments in the power business. The ratings are partially offset by the volatile nature of the market for industrial property, as well as the country and regulatory risks associated with AMATA’s operations in Vietnam.

KEY RATING CONSIDERATIONS

Leading industrial estate developer in Thailand with extensive experience in Vietnam’s industrial estate development

With almost 30 years of market presence, AMATA is one of the top industrial estate developers in Thailand. The company ranked second in the industry in terms of the value of industrial land sold. AMATA’s market share has averaged 26.0% over the past 10 years, based on the total amount of industrial land sold. The market leader is WHA Corporation PLC (WHA; 38.0%), while the third-largest developer is Rojana Industrial Park PLC (ROJNA; 20.0%).

In 1994, AMATA expanded to Vietnam to develop the Amata City Bien Hoa Industrial Estate (ACBH). ACBH is located in the southern part of Vietnam in Bien Hoa City, Dong Nai province. Over the past three years, the amount of land sold by ACBH ranged from 70-220 rai per year. Revenue from land sales in Vietnam ranged from Bt320-Bt642 million in 2015-2017, accounting for 10.0%-31.0% of AMATA’s revenue from land sales each year. The gross margin of land sales in Vietnam is satisfactory, ranging between 56.0%-75.0% in 2015-2017. During the first quarter of 2018, revenue from land sales was Bt316 million, while the gross margin was 75.2%.

Volatility of land sales and cyclicity of property demand

The industrial property market tracks on the economy and investor confidence. Reductions in investment spending and low capacity utilization have curbed industrial land sales nationwide during the past few years. AMATA’s sales of land reflected the slump in the industry. After peaking above 1,200 rai in 2013, sales dropped, sinking to about 600 rai in 2015 and 2016, 431 rai in 2017, and 28 rai in the first quarter of 2018. Nevertheless, AMATA is expected to be the beneficiary of positive news flow of the Eastern Economic Corridor (EEC) bill on the back of plentiful land bank of about 10,000 rai for sales in Rayong and Chonburi.

More recurring revenue from utility services

Recurring revenue from utility services, covering supply of raw water and processed water as well as wastewater treatment service, has increased steadily. The increase is attributed to the rising number of customers and increasing demand from new power plants in AMATA’s industrial estates. Revenue from utility services escalated from Bt1,253 million or accounted for 17.0% of total revenues in 2013 to Bt1,789 million or 40.0% in 2017. The recurring revenue from utility services will increase gradually, since three new power plants, located in Amata City Industrial Estates, Rayong province, are scheduled to start commercial operations in 2018.

Robust dividends from power business

AMATA's business profile is enhanced by the predictable cash flows it receives from a number of power projects. AMATA has invested in power projects with B. Grimm Power Ltd.. The company has a total installed capacity of 229 megawatts (MW) after adjusting the ownership percentages in the power projects. The figure will rise to 260 MW at the end of 2018. AMATA, through a joint venture (JV), holds a 4.0% equity stake in Amata B. Grimm Power Plant Infrastructure Fund (ABPIF), which owns two power plants in Chonburi. Over the next three years, the investments in the power segment are expected to provide dividends of about Bt400 million per year.

Rising leverage, but cash flow protection remains acceptable

Despite a recent rise in financial leverage, AMATA has a healthy balance sheet. Total debt was Bt9,142 million as of March 2018, up from Bt6,750 million in 2016 as AMATA continued to expand its industrial estates. The debt to capitalization ratio also increased, rising from 32.2% in 2016 to 37.3% at the end of March 2018. Going forward, large investments are needed to acquire land and develop sites in Thailand, plus new industrial estates in Vietnam. Thus, the company plans to make capital expenditures of Bt15,000 million in total during the next three years. Despite the sizable investments, the debt to capitalization ratio is expected to stay below 50.0%.

AMATA's cash flow protection is satisfactory. Over the past five years, the ratio of funds from operations (FFO) to total debt hovered between 18.0%-35.0%, while the ratio of earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage was 9-12 times. Despite weak land sales and huge capital expenditures, the FFO to total debt ratio was fair at 18.0% in 2017 and 21.5% (annualized, from the trailing 12 months) in the first quarter of 2018. The EBITDA interest coverage ratio was good at 11.9 times in 2017 and 14.4 times in the first three months of 2018.

Under TRIS Rating's base case scenario, AMATA's revenue will rise from Bt4,491 million in 2017 to Bt6,000 million in 2020. FFO is projected to hover around Bt2,000 million per year during 2018-2020, while EBITDA will range from Bt2,700-Bt3,000 million. AMATA has scheduled debt repayment of Bt800-Bt1,800 million per year. Given the expected levels of cash flow, debt repayment, and planned capital expenditures, the FFO to total debt ratio will be around 11.0%-14.0% during the next three years, while the EBITDA interest coverage ratio is forecast to stay above 5 times during the same period.

Liquidity buffers are sufficient. AMATA had an undrawn working capital facilities of Bt1,000 million as well as cash on hand and short-term investments totaling Bt2,252 million at the end of March 2018.

RATING OUTLOOK

The "stable" outlook reflects the expectation that AMATA can maintain its leading position in the industrial property industry. Recurring income from the sale of utilities, power projects, and rental properties will provide a cushion for the company to weather the economic slowdown.

RATING SENSITIVITIES

The ratings of AMATA and its debentures could be under downward pressure if more intense competition or slack demand leads to weaker-than-expected revenues and cash flow from operations. The ratings could be revised upward if the cash generation increases significantly and the balance sheet stays healthy.

COMPANY OVERVIEW

AMATA (formerly Bangpakong Industrial Park 2 Co., Ltd.) was founded in 1989 by Mr. Vikrom Kromadit and was listed on the Stock Exchange of Thailand (SET) in 1997. Since inception, the Kromadit family has been the main shareholder and is actively involved in the management team of AMATA. The Kromadit family held approximately 20.1% of the outstanding shares as of March 2018.

The company's first industrial estate is in Chonburi province. AMATA acquired land plots in Rayong province to develop Amata City Industrial Estate. AMATA set up a JV company with a Chinese partner to develop Thai-Chinese Industrial Estate in Rayong to serve demand of the Chinese investors.

Presently, AMATA has approximately 1,000 customers in its three industrial estates. Across all the estates, about 30.0% of the total number of customers is in the automotive industry. As of March 2018, AMATA had 2,869 rai of land available for sale in Thailand. The company had 7,701 rai of raw land awaiting development, mainly located in Chonburi.

AMATA expanded to Vietnam in 1994 by joining hands with Sonadezi Corporation, a state-owned enterprise and developer of industrial estates and residential areas in Vietnam. Its first industrial estate (ACBH), in the southern of Vietnam, is 30 kilometers (km.) away from Ho Chi Minh City, and approximately 35-50 km. from the airport and seaport. AMATA has been

granted a 50-year lease on 700 hectares (or 4,375 rai) by the Dong Nai Industrial Zone Authority (DIZA). The remaining sellable area of ACBH was about four hectares (or 25 rai) as of March 2018. The company is waiting for an investment certificate before it can develop a new phase with 19 hectares (or 119 rai) of sellable area. Additionally, AMATA will invest in two new industrial estates in Vietnam: Amata City Long Thanh (ACLT), in the southern part of the country, and Amata City Halong (ACHL), in the northern part of the country. The ACLT project has been granted an investment certificate. Development is scheduled for the second half of 2018. The ACHL project is in the process of applying for an economic zone.

In addition to selling land in the industrial estates, AMATA provides infrastructure, facilities, and maintenance services to its industrial estate customers. These services include supplying raw water, potable and clarified water, wastewater treatment, and maintenance of the industrial estate. AMATA through a JV, also sells or leases ready-built factories to small- and medium-sized enterprises (SME factories).

AMATA owns equity stakes in several power projects, with the stakes ranging from 15.0%-27.0%. The projects generate power as Independent Power Producers (IPP) in Thailand. AMATA holds a 7.0% equity stake in a power company in Vietnam.

KEY OPERATING PERFORMANCE

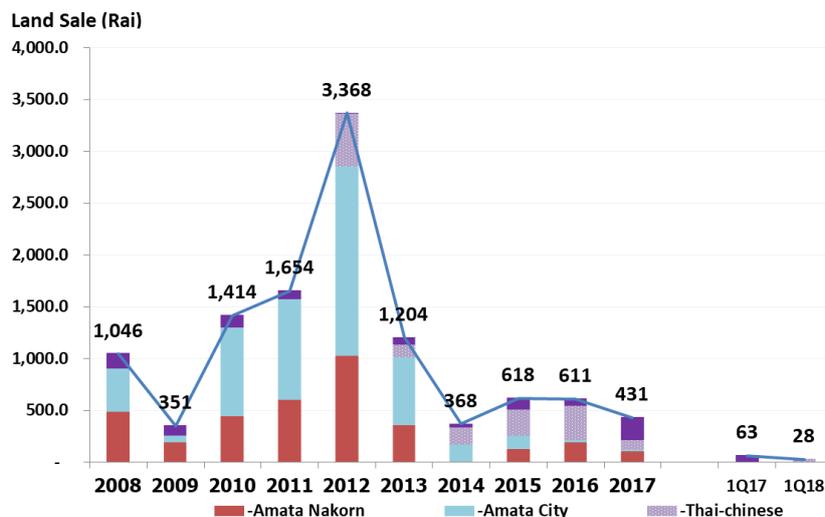
Table 1: AMATA's Revenue Breakdown

Unit: %

Revenue	2013	2014	2015	2016	2017	Jan-Mar 2018
Sales						
- Industrial land	74	72	59	49	46	47
Total sales	74	72	59	49	46	47
Recurring income						
- Utilities & services	17	18	28	38	40	39
- Rental	9	10	13	13	11	14
Total recurring income	26	28	41	51	51	53
Total revenue	100	100	100	100	100	100
Total revenue (Bt million)	7,262	7,358	5,170	4,484	4,491	1,127

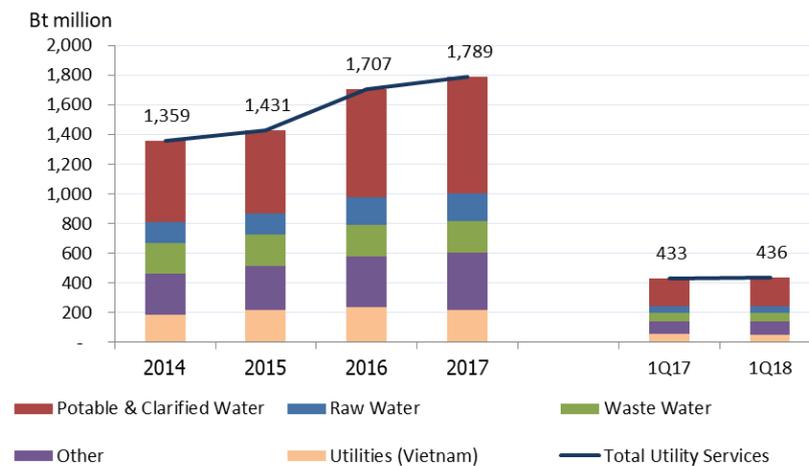
Source: AMATA

Chart 1: AMATA's Industrial Land Sales



Source: AMATA

Chart 2: AMATA's Utility Service Income



Source: AMATA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Mar 2018	-----Year Ended 31 December -----			
		2017	2016	2015	2014
Sales	1,127	4,491	4,484	5,170	7,358
Gross interest expense	54	228	266	306	360
Net income from operations	465	1,549	1,450	1,216	2,560
Funds from operations (FFO)	510	1,641	1,776	2,343	2,824
Inventory investment	(137)	750	(87)	448	(2,027)
Total assets	29,756	29,280	26,596	25,451	22,137
Total debt	9,142	9,103	6,750	6,743	7,259
Shareholders' equity	15,380	14,971	14,240	13,501	12,215
Operating income before depreciation and amortization as % of sales	45.15	41.57	43.12	32.53	42.81
Pretax return on permanent capital (%)	11.95 **	10.59	10.57	13.07	17.51
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	14.40	11.86	9.41	9.49	10.07
FFO/total debt (%)	21.45 **	18.02	26.32	34.75	38.90
Total debt/capitalization (%)	37.28	37.81	32.16	33.31	37.28

* Consolidated financial statements

** Annualized from trailing 12 months

AMATA Corporation PLC (AMATA)

Company Rating:	A
Issue Ratings:	
AMATA200A: Bt1,000 million senior unsecured debentures due 2020	A
AMATA220A: Bt2,000 million senior unsecured debentures due 2022	A
AMATA240A: Bt2,000 million senior unsecured debentures due 2024	A
Rating Outlook:	Stable

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