

AMATA CORPORATION PLC

No. 126/2022
27 July 2022

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior secured	A-
Outlook:	Stable

Last Review Date: 06/07/21

Company Rating History:

Date	Rating	Outlook/Alert
01/07/20	A-	Stable
27/06/17	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Amata Corporation PLC (AMATA) and the ratings on AMATA's senior unsecured debentures at "A-", with a "stable" outlook.

The ratings continue to reflect the company's proven record as one of the leading industrial estate developers in Thailand. The company's strengths are underpinned by its sizable base of recurring revenues from the sale of utility services and dividend income from its investments in several power plants. Nevertheless, the ratings are constrained by the volatile nature of industrial property market, coupled with the country and regulatory risks associated with AMATA's overseas operations. The ratings also consider our concerns over ongoing geopolitical risks as well as the fragile economic recovery following the Coronavirus Disease 2019 (COVID-19) pandemic.

KEY RATING CONSIDERATIONS

Recovery of industrial land sales expected

TRIS Rating expect AMATA's industrial land sales to rebound driven by pent-up demand and a post-COVID-19 economic recovery. Our base-case forecast projects AMATA's land presales in Thailand will escalate to 550 rai in 2022 and bounce back to the pre-pandemic levels of 650 rai annually in 2023-2024. Revenue from land transfers in Thailand is projected to hover around THB2.3-THB2.8 billion per year in 2022-2024.

The industrial estate business was sent reeling by the COVID-19 pandemic with a sluggish industrial land sale. The volume of AMATA's land sales in Thailand declined significantly to 213 rai in 2020 and 540 rai in 2021, from 600-800 rai per year in 2018-2019.

Despite the imminent challenges from soaring inflation, and geopolitical risks, we expect industrial land sales to recover in the second half of 2022 following a broad easing of travel restrictions worldwide and a resumption of normal investment activities. AMATA's land sales are likely to benefit from the Eastern Economic Corridor (EEC) development plan with land banks totaling about 12,000 rai in Rayong and Chonburi provinces. We also expect demand for industrial estates in Thailand to benefit from the relocation of production bases resulting from the United States-China trade tensions and the impact of supply chain disruptions. Additionally, the company's focus on new S-curve industries and the development of smart cities, as well as its policy to grow with partners from several countries should improve its operating performance in the long term.

Rising contributions from Vietnam

Given the available land from its new industrial estates, together with increasing foreign direct investment (FDI) in Vietnam, we expect higher revenue contributions from the company's Vietnam operations from 2022 onwards.

The volume of AMATA's land sales in Vietnam was in the range of 0-40 rai annually in 2018-2020, compared with 220 rai in 2017. The falloff in sales was due to a depletion of available land in the company's first industrial estate, compounded by delays in the license approval process for new industrial estates. However, there are signs of progress at AMATA's new industrial estate in northern part of Vietnam, AMATA City Halong (ACHL). The company

sold and transferred 322 rai of land in ACHL with revenue of THB1.1 billion in 2021. Additionally, AMATA City Long Thanh (ACLT), located in the southern part of Vietnam, is in the process of land compensation and applying for a land lease agreement. The company expects land transfers and revenue recognition from ACLT to commence in 2023.

We view the business prospects in Vietnam to be increasingly positive, fueled by the country's low labor costs and proximity to China, as well as benefits from the country's free trade agreements with major economies. AMATA has a number of potential land sale transactions in the pipeline but has been held back by regulatory changes and delays in the license approval process over the past few years. During the forecast period, we project the major contributions will come from ACHL and ACLT, while other projects are in the process of applying for investment certificates, which take time and are uncertain. We project the volume of AMATA's land sales in Vietnam will reach 300-500 rai per annum over the next three years. Revenue from land sales is forecast to be THB0.8 billion-THB3.4 billion per year over the same period.

Recurring revenue provides a buffer against slowdowns

AMATA's strong business profile is underpinned by steady growth from the revenue it earns from utility services. These services provide a stable revenue source that can partially offset fluctuations in land sales. Utility services include supplying raw and processed water, and wastewater treatment. Revenue from utility services rose to THB2.0 billion in 2021 (39% of total revenue), from THB1.3 billion in 2013 (17% of total revenue), driven by an increase in the number of customers and rising demand from new power plants located in AMATA's industrial estates.

We maintain the view that the prospects for utility services remain strong. We expect recurring revenue from utility services to grow steadily exceeding THB2.2 billion in 2024.

Dividends incomes provides highly predictable cash flow

AMATA receives highly predictable dividend income from several joint investments with B. Grimm Power Ltd. in power generation. The company has a total installed power generation capacity of 260 megawatts (MW), proportionate to its stakes in the power plants. AMATA, through a joint venture (JV), also holds a 4.0% equity stake in AMATA B. Grimm Power Plant Infrastructure Fund (ABPIF), which owns two power plants in Chonburi province. Over the next three years, investments in the power business are expected to yield dividends totaling THB0.3-THB0.4 billion per year.

Leverage ratio improved

Thanks to proceeds from capital increases and share divestments in some subsidiaries overseas, AMATA's adjusted net debt declined to THB12.8 billion as of March 2022 from THB14.2 billion in 2020. The debt to capitalization ratio was 36.0% at the end of March 2022, down from 43.2% in 2020. The ratio of adjusted debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) was 4.3 times in 2021 and 3.3 times in the first quarter of 2022, compared with 6.4 times in 2020.

Going forward, AMATA has several investments in the pipeline including the acquisition and development of new sites in Thailand, together with several industrial estates in Vietnam, and the Lao People's Democratic Republic (Lao PDR). Despite the large capital expenditures needed, we expect AMATA's leverage to remain moderate over the next three years. AMATA plans to monetize some assets to bring its leverage under control. Under our base-case forecast, EBITDA should hover around THB3.3-THB3.8 billion per year during 2022-2024. The adjusted net debt to EBITDA ratio is forecast to be 3.7-5.3 times during the next three years, while total debt to capitalization should stay in the 37%-43% range during the same period.

As of March 2022, AMATA's debt consisted of THB6.6 billion of priority debt out of its total interest-bearing debt of THB14.5 billion. Most of AMATA's priority debt is unsecured debt at the subsidiary level. As its priority debt is below the threshold of 50%, we view that AMATA's unsecured creditors are not significantly disadvantaged with respect to the priority of claims against the company's operating assets.

Manageable liquidity

We assess AMATA's liquidity to be manageable over the next 12 months. As of March 2022, AMATA's sources of funds consisted of THB3 billion in cash on hand plus short-term investments. We project funds from operations (FFO) to be around THB2.6 billion over the next 12 months. The company has undrawn short-term credit facilities of around THB3.0 billion and several credit lines for project financing loans. The primary uses of funds are debt repayments of THB3.8 billion, and capital expenditures of THB4 billion. We expect the company to maintain sufficient liquidity to weather any potential business slowdowns until business recovery is on a firm and sustainable path.

BASE CASE ASSUMPTIONS

- Total operating revenue to increase by 17% to THB6.1 billion in 2022 and range from THB7.3-THB9.4 billion annually in 2023-2024.
- The EBITDA margin is forecast at 62% in 2022 owing to gain from rental property sale and the margin should stay at around 41%-46% in 2023-2024.
- Total capital spending to range from THB4-THB8 billion per annum during 2022-2024.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that AMATA will be able to maintain its leading position in the domestic industrial property industry. We expect recurring income from the utility services business, dividends from the power plants, and income from rental properties to provide a significant cushion against the adverse effects of an unfavorable economic environment.

RATING SENSITIVITIES

AMATA’s rating could be upgraded if the company is able to lower its leverage, with the net debt to EBITDA ratio staying below 4 times on a sustained basis, as well as increase the revenue contribution from its Vietnam and/or other overseas operations. On the contrary, AMATA’s ratings could be downgraded if the company’s leverage rises to the extent that adjusted net debt to EBITDA ratio remains above 8 times for an extended period.

COMPANY OVERVIEW

AMATA was founded in 1989 by Mr. Vikrom Kromadit (Chief Executive Officer) and listed on the Stock Exchange of Thailand in 1997. Since the company’s inception, the Kromadit family has been the main shareholder and is actively involved in the management of AMATA. The Kromadit family held approximately 26.3% of the outstanding shares of the company as of December 2021.

AMATA owns industrial estates in Chonburi and Rayong provinces. AMATA has also entered into a JV with a Chinese partner to develop a Thai-Chinese industrial estate in Rayong province, to serve demand from Chinese investors. AMATA has more than 1,000 customers in its three industrial estates. Across all the estates, about one third of customers are in the automotive industry. As of March 2022, AMATA had 1,111 rai of land available for sale and 1,219 rai of commercial area in Thailand. The company also had 10,156 rai of raw land, mostly in Chonburi, awaiting development.

The company has signed joint-venture agreements and memoranda of understanding with many government-related entities and universities in order to study and develop several smart city projects in Amata City Chonburi province.

In Vietnam, AMATA has expanded its business by joining hands with Sonadezi Corporation, a state-owned enterprise and developer of industrial estates and residential properties in Vietnam since 1994. Its first industrial estate, ACBH, is located in Bien Hoa City, Dong Nai province. All of the developed land in ACBH has been sold. The company is waiting for an investment certificate before it can develop a new phase with 19 hectares (119 rai) of saleable area.

AMATA is in the process of developing two new industrial estates in Vietnam: ACLT in the southern part of the country, and ACHL in the north. In 2021, AMATA sold 322 rai of land in ACHL. For ACLT, the company is awaiting the land lease agreement before applying for construction licenses. Additionally, AMATA has entered into a joint venture agreement with Vietnam-Singapore Industrial Park (VSIP) and Sumitomo Corporation to develop a new industrial estate, Quang Tri Industrial Park, in the central part of Vietnam.

AMATA is also involved in industrial estate developments in Myanmar and the Lao PDR. However, investments in Myanmar have been suspended owing to the ongoing political turbulence.

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

AMATA owns equity stakes in several power plants, with the stakes ranging from 15.0% to 27.0%. AMATA also holds a 7.0% equity stake in a power company in Vietnam.

KEY OPERATING PERFORMANCE
Table 1: AMATA's Revenue Breakdown

Unit: %

Revenue	2017	2018	2019	2020	2021	Jan-Mar 2022
Sales						
- Industrial land	46	42	54	37	43	26
Total sales	46	42	54	37	43	26
Recurring income						
- Utilities & services	40	42	33	44	39	52
- Rental	14	16	13	20	19	22
Total recurring income	54	58	46	63	57	74
Total revenue	100	100	100	100	100	100
Total revenue (THB million)	4,491	4,354	5,914	4,202	5,097	1,044

Source: AMATA

Table 2: AMATA's EBITDA Breakdown

Unit: %

EBITDA	2017	2018	2019	2020	2021	Jan-Mar 2022
Sales						
- Industrial land	53	38	53	35	44	33
Total sales	54	38	53	35	44	33
Recurring income						
- Utilities & services	19	22	18	22	26	33
- Rental	13	17	16	22	29	34
- Dividend from power business	14	23	13	21	22	8
Total recurring income	46	62	47	65	65	85
Total EBITDA	100	100	100	100	100	100

Source: AMATA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2022	-----Year Ended 31 December -----			
		2021	2020	2019	2018
Total operating revenues	1,086	5,201	4,318	6,056	4,453
Earnings before interest and taxes (EBIT)	1,072	2,807	2,002	2,832	2,065
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,121	3,206	2,230	2,774	2,112
Funds from operations (FFO)	877	2,401	1,579	2,091	1,621
Adjusted interest expense	115	494	436	330	246
Capital expenditures	101	394	611	1,131	1,402
Total assets	45,583	45,471	40,222	36,397	33,021
Adjusted debt	12,810	13,840	14,237	11,540	9,826
Adjusted equity	22,820	22,008	18,753	16,976	15,569
Adjusted Ratios					
EBITDA margin (%)	103.24	61.64	51.64	45.80	47.42
Pretax return on permanent capital (%)	9.28	7.66	6.12	9.81	8.04
EBITDA interest coverage (times)	9.76	6.50	5.12	8.41	8.59
Debt to EBITDA (times)	3.34	4.32	6.38	4.16	4.65
FFO to debt (%)	23.10	17.35	11.09	18.12	16.49
Debt to capitalization (%)	35.95	38.61	43.16	40.47	38.69

RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

AMATA Corporation PLC (AMATA)

Company Rating:	A-
Issue Ratings:	
AMATA22OA: THB2,000 million senior unsecured debentures due 2022	A-
AMATA23OA: THB500 million senior unsecured debentures due 2023	A-
AMATA24OA: THB2,000 million senior unsecured debentures due 2024	A-
AMATA258A: THB250 million senior unsecured debentures due 2025	A-
AMATA25OA: THB1,000 million senior unsecured debentures due 2025	A-
AMATA27OA: THB500 million senior unsecured debentures due 2027	A-
AMATA288A: THB750 million senior unsecured debentures due 2028	A-
Rating Outlook:	Stable

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