

AMATA CORPORATION PLC

No. 136/2023
31 July 2023

CORPORATES

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

Last Review Date: 29/08/22

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 the industrial property market, coupled with the country and regulatory risks associated with AMATA's overseas operations. The ratings also take into consideration our concerns over ongoing geopolitical risks as well as the threats of an economic slowdown.

KEY RATING CONSIDERATIONS

Strong prospects for industrial land sales

We expect AMATA to continue delivering satisfactory land sales, fueled by the post-pandemic revival of demand, as global supply chain is shifting to Southeast Asia amid intensifying tensions between the United States and China. In our base-case forecast, we expect AMATA's land presales in Thailand to increase significantly to 800-900 rai annually in 2023-2025. Given improved land sales and sizable backlogs, revenue from land transfers in Thailand is projected to climb to THB4-THB5 billion per year in 2023-2025.

After a slump during the COVID-19 pandemic, the volume of AMATA's land sales in Thailand surged to 540-650 rai annually in 2021-2022 and 310 rai in the first quarter of 2023, a substantial increase from 213 rai in 2020 and getting close to the level of 600 rai per year recorded during the pre-COVID-19 years. Revenue from land sales in Thailand also improved, reaching THB2.7 billion in 2022 and THB1.2 billion in the first quarter of 2023, compared with THB1.6 billion in 2020.

Despite facing challenges from soaring interest rates, political instability, and threats of a global economic slowdown, we anticipate AMATA's land sales will increase further due to a pent-up demand as well as from the company's own recently accumulated land banks. We view AMATA is well positioned to capitalize on new business opportunities from its plentiful land banks totaling 14,000 rai, all of which is in the Eastern Economic Corridor (EEC). Additionally, the company's focus on the development of smart cities, as well as its policy to grow with partners from several countries should improve its operating performance in the medium to long term.

Growing contributions from Vietnam expected

We expect greater contributions from the company's Vietnam operations from 2023 onwards, given an increase of available land in its new industrial estates, together with promising prospects and growing foreign direct investment (FDI) in Vietnam.

Owing to a depletion of available land in its first industrial estate, coupled with delays in the license approval process for new industrial estates, revenue from land sales in Vietnam has been highly volatile over the past five years. However, we see signs of progress at AMATA's industrial estate in northern Vietnam, AMATA City Halong (ACHL). The company sold and transferred 366 rai of land in ACHL with revenue of THB1.1 billion in 2021 and THB204 million

in 2022. Additionally, the land lease agreement process for the first phase of AMATA City Long Thanh (ACLT), located in southern Vietnam, has been completed. The company expects land transfers and revenue recognition from ACLT to commence this year.

We hold the view that business prospects in Vietnam will remain strong, propelled by the country's low labor costs and proximity to China, as well as by benefits stemming 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 land sales in Vietnam will reach 400-500 rai per annum over the next three years. Revenue from land sales is forecast to be THB0.7 billion-THB3.0 billion per year over the same period.

Recurring revenue provides a buffer against slowdowns

Utility services include the supply of raw and processed water, and wastewater treatment. In Thailand, revenue from utility services has edged up steadily to THB1.8 billion in 2022 from THB1.2 billion in 2014, a compound annual growth rate of 5.5%. The increase has been driven by increasing numbers of new customers and rising demand from power plants located in AMATA's industrial estates.

Through its subsidiaries, AMATA also provides utility services and electricity sales to customers in its industrial estates in Vietnam. With fast-growing demand for utilities and power among new customers, revenue from utility services in Vietnam soared to THB1.0 billion in 2022 and THB0.3 billion in the first quarter of 2023, from THB0.2 billion in 2021.

We maintain the view that the prospects for utility services remain strong on the back of a significant increase in demand from Vietnam and a steady growth in Thailand. We expect recurring revenue from utility services to grow steadily to THB3.3-THB4.2 billion per annum in 2023-2025, up from THB2.8 billion in 2022.

Dividend income provides reliable cash flow

AMATA receives reliable 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, also holds a 4.0% equity stake in AMATA B. Grimm Power Plant Infrastructure Fund (ABPIF), which owns two power plants in Chonburi Province.

In 2022, share of profit and dividends received from power plants weakened substantially because of surging gas costs. As a result, the share of profit slipped to THB342 million in 2022 from THBTHB500-THB700 million annually in 2019-2021, while dividend slumped to THB157 million from THB350-THB500 million in 2019-2021. However, we expect both will improve gradually on the back of tariff adjustments. Under our base-case scenario, investments in the power business are expected to yield dividends totaling THB460-THB560 million per year.

Leverage ratio improved

To pursue its growth strategy, AMATA has several investments in the pipeline including the acquisition and development of new sites in Thailand, coupled with several industrial estates in Vietnam, and the Lao People's Democratic Republic (Lao PDR). Given an enlarged earnings base from increased land sales in Thailand and Vietnam, we anticipate AMATA's earnings before interest, taxes, depreciation, and amortization (EBITDA) should hover around THB4.0-THB4.7 billion per year during 2023-2025. The net debt to EBITDA ratio is projected to range from 4-5 times over the next three years, while total debt to capitalization should hover around 40% over the same period.

As of March 2023, AMATA's debt consisted of THB6.2 billion of priority debt out of total interest-bearing debt of THB17.7 billion. Most of AMATA's priority debt is unsecured debt at the subsidiary level. The priority debt to total debt ratio is around 35%.

Manageable liquidity

AMATA's sources of funds at the end of March 2023 comprised cash on hand plus short-term investments of THB2.7 billion, with funds from operations (FFO) over the following year estimated at about THB3 billion. Sources of funds also include sizable cash deposits from customers, as well as new lines for project financing loans from several financial institutions. The uses of funds are mainly scheduled debt repayments of approximately THB3 billion, together with capital expenditures and real estate investments totaling of THB8 billion. We expect the company will continue to maintain sufficient liquidity to weather any potential business uncertainty.

The financial covenant on AMATA's debenture issues requires the company's interest-bearing debt to equity ratio to stay below 2.5 times. As of March 2023, the ratio was 0.7 times. We believe the company should be able to comply with the financial covenant over the forecast period.

BASE CASE ASSUMPTIONS

- Total operating revenue to range from THB9.5-THB12.5 billion annually in 2023-2025.
- EBITDA margin forecast at 44% in 2023, before hovering around 35%-38% in 2024-2025 owing to a change in revenue mix.
- Total capital spending and land development costs to range from THB6-THB8 billion per annum.

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 sector. 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 satisfactory returns from its Vietnam 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 stays above 7 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 26.4% of the outstanding shares of the company as of December 2022.

AMATA owns industrial estates in Chonburi and Rayong provinces. AMATA has also entered into a joint venture 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 2023, AMATA had 972 rai of land available for sale and 1,144 rai of commercial area in Thailand. The company also had 12,519 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 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. 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. Additionally, AMATA is 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 joint venture, 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% to 20%. AMATA also holds a 7% equity stake in a power company in Vietnam.

KEY OPERATING PERFORMANCE
Table 1: AMATA's Revenue Breakdown

Unit: %

Revenue	2018	2019	2020	2021	2022	Jan-Mar 2023
Sales						
- Industrial land	42	54	37	43	44	55
Total sales	42	54	37	43	44	55
Recurring income						
- Utilities & services	42	33	44	39	43	35
- Rental	16	13	20	19	13	9
Total recurring income	58	46	63	57	56	45
Total revenue	100	100	100	100	100	100
Total revenue (THB million)	4,354	5,914	4,202	5,097	6,502	2,140

Source: AMATA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	2,180	6,612	5,201	4,318	6,056
Earnings before interest and taxes (EBIT)	956	4,101	2,807	2,002	2,832
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	973	4,305	3,206	2,230	2,774
Funds from operations (FFO)	649	3,478	2,401	1,579	2,091
Adjusted interest expense	137	472	494	436	330
Capital expenditures	219	984	394	611	1,131
Total assets	51,129	47,659	45,471	40,222	36,397
Adjusted debt	16,623	13,556	13,683	14,237	11,540
Adjusted equity	24,933	24,415	22,008	18,753	16,976
Adjusted Ratios					
EBITDA margin (%)	44.63	65.10	61.64	51.64	45.80
Pretax return on permanent capital (%)	9.68	10.44	7.66	6.12	9.81
EBITDA interest coverage (times)	7.10	9.12	6.50	5.12	8.41
Debt to EBITDA (times)	4.00	3.15	4.27	6.38	4.16
FFO to debt (%)	19.55	25.65	17.55	11.09	18.12
Debt to capitalization (%)	40.00	35.70	38.34	43.16	40.47

RELATED CRITERIA

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

AMATA Corporation PLC (AMATA)

Company Rating:	A-
Issue Ratings:	
AMATA23OA: THB500 million senior unsecured debentures due 2023	A-
AMATA23OB: THB850 million senior unsecured debentures due 2023	A-
AMATA24OA: THB2,000 million senior unsecured debentures due 2024	A-
AMATA24OB: THB700 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-
AMATA25OB: THB450 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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