

AMATA CORPORATION PLC

No. 70/2017

27 June 2017

Company Rating: A**Outlook:** Stable**Rating Rationale**

TRIS Rating assigns the company rating of Amata Corporation PLC (AMATA) at "A". The rating reflects the company's proven record as one of the leading industrial estate developers in Thailand and its sizeable base of recurring income from the sale of utility services and income from investment in power generating business. The rating is partially offset by the volatile nature of the industrial property market and the country and regulatory risks associated with the operation in Vietnam.

AMATA is one of the leading industrial estate developers in Thailand. The company was established in 1989 by Mr. Vikrom Kromadit. The company was listed on the Stock Exchange of Thailand (SET) in 1997. Since its inception, the Kromadit family has been a main shareholder and actively involved in the management team. The Kromadit family holds approximately 21.8% of the company's outstanding shares, as of February 2017. In addition to selling industrial land and utility services, the company has invested in power generating projects. Over the past three years, sales from industrial land and properties averaged 60% of the company's annual revenue. Recurring income, mainly from utility services and rental income, comprised 40% of total revenue.

AMATA owns and operates three industrial parks in Chonburi and Rayong provinces, with a total area of 43,962 rai. As of March 2017, AMATA had 3,549 rai of land available for sale, 80% of which was located in Rayong province. Additionally, the company had 7,338 rai of raw land, mainly located in Chonburi, pending for development. AMATA's industrial estate in Chonburi, Amata Nakorn, is well-known for its strategic location, only 50-60 kilometers (km.) away from Bangkok, Laem Chabang seaport, and Suvarnabhumi airport. The attractive location allows AMATA to have a spectacular margin from this industrial estate. Apart from Thailand, AMATA has stepped into Vietnam since 1994, joining hands with Sonadezi Corporation, a state-owned enterprise and developer of industrial estates and residential areas in Vietnam. Its first industrial estate, named Amata City Bien Hoa (ACBH), is located in the southern part of Vietnam in Bien Hoa City, Dong Nai province. ACBH is 30 km. away from Ho Chi Minh City, and approximately 35-50 km. from the airport and seaport. AMATA, through its subsidiary, has been granted a 50-year leased area on 532 hectares (or 3,325 rai) from Dong Nai Industrial Zone Authority (DIZA) under the ACBH project. As of March 2017, about 47.3 hectares (or 295.6 rai) remained sellable area. DIZA also granted AMATA a 50-year leased area on 1,270 hectares (or 7,940 rai) in Long Thanh City. The Long Thanh project is located 20 km. from the ACBH project. In addition, AMATA is applying for an investment certificate to develop 709 hectares in Halong City, Quang Ninh province, in the northern part of Vietnam. During 2015-2016, land sales from Vietnam contributed approximately 10%-16% of AMATA's total land sales each year.

Demand for industrial land is volatile, heavily dependent on economic conditions. Demand for industrial land in eastern Thailand surged in 2012 in the flood crisis aftermath and capacity expansion of the auto industry. AMATA's land sales reached a peak of 3,368 rai in 2012 and 1,204 rai in 2013, compared with an average of 1,100 rai during 2008-2011. However, the economic slowdown cut demand for industrial land nationwide over the past few years, and sales of industrial land nationwide have remained stagnant. According to a report from CB

Contacts:Nauwarut Temwattanangkul
nauwarut@trisrating.comJutatip Chitpromphan
jutatip@trisrating.comRungrat Suntornpagasit
rungrat@trisrating.com**WWW.TRISRATING.COM**

Richard Ellis (CBRE), Thailand's industrial land sales declined from 4,746 rai in 2013 to an average of 1,700 rai per year during 2014-2016. AMATA's industrial land sales also dropped, sliding to 368 rai in 2014 and about 600 rai per year in 2015-2016. Despite the slowdown in land sales, AMATA is considered one of Thailand's leading industrial developers. AMATA's market share has averaged 28% over the past 10 years, based on the total amount of industrial land sold in Thailand. The market leader is Hemaraj Land and Development PLC (HEMRAJ; 35%) and the third operator is Rojana Industrial Park PLC (ROJNA; 19%).

AMATA's revenue fluctuates depending on the industrial estate land sales. However, the volatile operating performance is partly alleviated by the stable income from sales of utilities and income from the investment in power generating business. In 2016, revenue from land transfers dropped by 28.7% year-on-year (y-o-y) to Bt2,187 million. Recurring income, which accounted for 40%-50% of total revenue, rose by 9.3% y-o-y to Bt2,297 million in 2016. As a result, AMATA's revenue was Bt4,484 million in 2016, slipping moderately by 13.2% from the previous year. AMATA's operating profit margin in 2016 improved to 42.9%, up from 32.5% in 2015. The steep increase in profit margin was due to the higher proportion of high profit margin land sales in Chonburi and price adjustments for utility services. Earnings before interest, tax, depreciation, and amortization (EBITDA) in 2016 declined merely by 14%, from Bt2,903 million in 2015 to Bt2,496 million, even though AMATA recorded a gain of Bt857 million from sales of leased asset, the ready-built factories, to the Real Estate Investment Trust (REIT) in 2015.

Revenue was relatively flat at Bt775 million during the first quarter of 2017, compared with Bt787 million in the first quarter of 2016. Nevertheless, EBITDA was Bt470 million in the first quarter of 2017, up 54.5% from Bt304 million during the same period a year earlier. The increase in EBITDA was mainly due to more equity income from new power plants which started commercial operating during the recent months. Currently, AMATA has holding stakes of about 15%-27% each in power projects operated by B. Grimm Power Ltd. under Small Power Producer (SPP) scheme. The total installed capacity of power production based on AMATA's holding was 133 megawatts (MW) as of March 2017 and will increase to 228 MW as of December 2018. EBITDA from the power investment was Bt110 million in 2016 and will increase to about Bt300 million per year when all AMATA's power projects start operations.

The credit rating is also supported by AMATA's healthy balance sheet. Over the past five years, the total debt ranged between Bt6,300-Bt7,700 million. The debt to capitalization ratio gradually improved from 44.3% in 2012 to 30.5% at the end of March 2017. The liquidity profile was satisfactory. During the past five years, the ratio of funds from operations (FFO) to total debt hovered around 26%-39%, while EBITDA interest coverage ratio stayed at about 7-10 times. Despite weak land sales, the FFO to total debt ratio was satisfactory at 26.3% in 2016 and 28.6% (annualized, from the trailing 12 months) in the first quarter of 2017. The EBITDA interest coverage ratio was good at 9.4 times in 2016 and 8.5 times in the first three months of 2017.

Under TRIS Rating's base case scenario, AMATA's revenue will be approximately Bt4,800-Bt6,000 million per annum during 2017-2019. The FFO is projected to range between Bt1,600-Bt1,800 million per year. AMATA and its subsidiaries have several investment projects in pipelines. These investments are mainly land and development costs in Thailand, plus new industrial estates in Long Thanh City and Halong City in Vietnam. To pursue its growth strategy, the company plans to make the capital expenditures of about Bt12,000 million in total during the next three years. Despite the sizable investment, the debt to capitalization ratio is expected to be managed to stay below 45% and the projected FFO to total debt ratio will be higher than 15% during the next three years. Liquidity is sufficient. The amounts of debts due over the next 12 months comprise short-term debt worth Bt887 million and long-term loans of Bt1,717 million. AMATA can meet these obligations by utilizing its undrawn working capital facilities of Bt2,373 million, plus annual FFO of Bt1,700 million, and cash on hand and marketable securities totaling Bt1,117 million at the end of March 2017.

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.

The credit rating of AMATA could be under downward pressure if more intense competition or sluggish investment demand leads to weaker-than-expected revenues and cash flow from operations. The rating could be revised upward should the company noticeably enlarges its cash flow base over a sustained period while maintaining its healthy balance sheet.

Amata Corporation PLC (AMATA)

Company Rating:

A

Rating Outlook:

Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Mar 2017	2016	2015	2014	2013	2012
Sales	775	4,484	5,170	7,358	7,262	5,861
Gross interest expense	55	266	306	360	350	391
Net income from operations	291	1,438	1,216	2,560	1,516	1,501
Funds from operations (FFO)	190	1,776	2,343	2,824	2,289	1,991
Inventory investment	(731)	(87)	448	(2,027)	729	(1,444)
Total assets	26,008	26,596	25,451	22,137	22,203	21,014
Total debt	6,278	6,750	6,743	7,259	7,683	7,082
Shareholders' equity	14,291	14,240	13,501	12,215	10,191	8,906
Operating income before depreciation and amortization as % of sales	33.30	42.85	32.53	42.81	35.39	40.58
Pretax return on permanent capital (%)	11.45 **	10.52	13.07	17.51	15.58	15.13
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	8.51	9.36	9.49	10.07	8.33	6.98
FFO/total debt (%)	28.55 **	26.32	34.75	38.90	29.79	28.11
Total debt/capitalization (%)	30.52	32.16	33.31	37.28	42.98	44.30

* Consolidated financial statements

** Annualized from trailing 12 months

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

© Copyright 2017, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at http://www.trisrating.com/en/rating_information/rating_criteria.html.