

AMATA CORPORATION PLC

No. 67/2020
1 September 2020

CORPORATES

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

Last Review Date: 01/07/20

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 its outstanding senior unsecured debentures at “A-”, with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A-” to AMATA’s proposed issue of up to THB2 billion in senior unsecured debentures. AMATA intends to use the proceeds from the new debentures to refinance its outstanding debt, to support planned capital expenditures, or for working capital needs.

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 also underpinned by its sizable base of recurring revenues from the sale of utility services and dividend income from its investments in several power plants. However, the ratings are constrained by the volatile nature of industrial property markets, as well as the country and regulatory risks associated with AMATA’s operations abroad. The ratings also incorporate an expected rise in leverage, resulting from AMATA’s sizable capital expenditures in the pipeline, coupled with stagnating revenue growth in the medium term.

The industrial property market has been under pressure from the impact of the Coronavirus Disease 2019 (COVID-19) as the volume of land sales fell substantially amid travel restrictions and the economic fallout. AMATA’s land sale declined to 116 rai during the first half of 2020, compared with 294 rai during the same period of 2019. AMATA’s operating revenue declined by 7.6% year on year (y-o-y) to THB2.2 billion during the first six months of 2020. The drop was mainly attributed to fewer land transfers, while revenue from utility service and rental income remained stable.

However, AMATA’s earnings before interest, tax, depreciation, and amortization (EBITDA) improved in the first half of 2020. Thanks to satisfactory margin and higher dividend received from investment in power plants, the company’s EBITDA surged by 11.8% y-o-y to THB1.2 billion in the first half of 2020. EBITDA margin went up to 56.5% in the first six months of 2020, from 46.7% during the same period of 2019.

We expect industrial land sales to shrink significantly in 2020, before gradually ramp up from 2021 onwards in tandem with expected improvements in economic conditions, implementation of the government’s stimulus package, as well as the introduction of several privileges related to the Eastern Economic Corridor (EEC) initiative.

We hold the view that AMATA will benefit from the EEC initiative on the back of its plentiful land banks of about 13,000 rai in Rayong and Chonburi provinces. The medium term prospect is also supported by the trend of relocation of production bases spurred by supply chain disruptions during the COVID-19 lockdowns and the United States (US)-China trade tensions.

At the end of June 2020, the company’s interest bearing debt amounted to THB15.5 billion, debentures and long-term loans made up 96% of total debts. We assess AMATA’s liquidity to be manageable over the next 12 months. AMATA had bank loans and bonds of THB3 billion coming due over the next 12 months. Its sources of liquidity include THB1.6 billion in cash and estimated

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funds from operations (FFO) for the next 12 months of THB1.4 billion. The company has undrawn credit facilities of around Bt2-billion. We believe the company’s ability to access external funding sources, including bank financing and the domestic debt capital market, remains unchanged.

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. Recurring income from the utility service business, dividend from the power plants, and income from rental properties should provide sufficient cushion to help the company weather the downturn in the industrial property industry.

RATING SENSITIVITIES

AMATA’s 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, and increase the revenue contribution from Vietnam and/or overseas projects. On the contrary, AMATA’s ratings could be downgraded if the company undertakes debt-funded investments, which cause the adjusted net debt to EBITDA ratio to stay above 9 times.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

AMATA Corporation PLC (AMATA)

Company Rating:	A-
Issue Ratings:	
AMATA200A: THB1,000 million senior unsecured debentures due 2020	A-
AMATA220A: THB2,000 million senior unsecured debentures due 2022	A-
AMATA240A: THB2,000 million senior unsecured debentures due 2024	A-
AMATA258A: THB250 million senior unsecured debentures due 2025	A-
AMATA288A: THB750 million senior unsecured debentures due 2028	A-
Up to THB2,000 million senior unsecured debentures due within 7 years	A-
Rating Outlook:	Stable

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