

AMATA CORPORATION PLC

No. 128/2024
31 July 2024

CORPORATES

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

Last Review Date: 31/07/23

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 multiple challenges stemming from trade tensions, tight capital markets, and a slowing global economy.

KEY RATING CONSIDERATIONS

Satisfactory land sales to continue

We expect a strong growth trajectory for AMATA’s land sales over the next few years, driven by increasing demand due to heightened geopolitical pressures and concerns over supply chain disruptions. Additionally, space in new industrial estates is also anticipated to spur demand. Our base-case projection assumes AMATA’s land sales in Thailand will hover at around 800-900 rai annually in 2024-2025, before gradually normalizing at 600 rai in 2026.

AMATA’s land sales in Thailand have increased significantly. Sales volume surged to 1,480 rai in 2023 and 302 rai in the first quarter of 2024, up from 500-650 rai per year during 2021-2022. The growth is primarily attributed to the ongoing relocation of production bases by investors from China and Taiwan in several industries, particularly auto parts, electronics and electrical appliances.

Going forward, we expect AMATA to continue delivering satisfactory land sales, backed by its long-established reputation, sizable land banks in strategic locations and its relationship with its Chinese partner. We also believe the company is well-positioned to capture growth momentum from its plentiful land banks, currently totaling 15,000 rai including a new 2,000-rai industrial estate in Chonburi. All of AMATA’s land bank is situated in the Eastern Economic Corridor (EEC) area of Rayong and Chonburi provinces.

Sizable backlog to secure revenue growth

As of March 2024, AMATA’s total backlog in Thailand was worth around THB13 billion, significantly higher than the normal level of THB3-THB5 billion. This backlog is projected to be transferred and recognized as revenue in the future. As a result, the company’s annual revenue from land sales in Thailand is projected to rise from around THB2.6 billion in 2022-2023 to THB5-THB7 billion in 2024-2026.

Outlook for Vietnam remains positive

We reiterate our positive outlook for the industrial estate business in Vietnam despite global economic challenges and political factors. Growth is being driven by rising foreign direct investment, bolstered 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.

During the past five years, the company's revenue from land sales in Vietnam has fluctuated strongly owing to diminishing land inventory in its first industrial estate, together with the postponement of license approvals in new industrial estates following regulation changes and political shifts.

However, revenue improved substantially in 2023. The volume of land sales was 373 rai in 2023, up from totaling 397 rai during 2021-2022. The improvement was driven by increased supply from new industrial estates, comprising the second phase of AMATA City Halong (ACHL) and the first phase of AMATA City Long Thanh (ACLT). As a result, revenue from land sales escalated to THB2.3 billion in 2023 and THB0.1 billion in the first quarter of 2024, compared with THB0.2-THB1.0 billion in 2021-2022.

Going forward, despite a positive outlook and cooperation with a new Japanese partner, AMATA's revenue from land sales is constrained by supply. Our projections are based on existing land availability in ACHL and ACLT. Subsequent phases and other projects are in the process of applying for licenses, which take time and are uncertain. As a result, we project land sales volume in Vietnam of 300-400 rai per annum over the next three years. Revenue from land sales is forecast at THB2.0-THB2.5 billion per year over the same period.

Recurring revenue provides a buffer against slowdowns

AMATA provides a range of utility services including the supply of raw and processed water, and wastewater treatment. In Thailand, revenue from utility services has edged up steadily to THB2.0 billion in 2023 from THB1.3 billion in 2013, a compound annual growth rate of 4.5%. The growth 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 THB1.9 billion in 2023 and THB0.9 billion in the first quarter of 2024, from THB1.0 billion in 2022.

We expect the total recurring revenue from utility services to grow steadily to THB5-THB7 billion per annum in 2024-2026, up from THB3.9 billion in 2023.

Dividend income provides reliable cash flow

AMATA receives reliable dividend income from several joint power generation investments with B. Grimm Power Ltd. 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 the AMATA B. Grimm Power Plant Infrastructure Fund (ABPIF), which owns two power plants in Chonburi province.

In 2023, the share of profit and dividends received from power plants recovered from a low point in the previous year following a decline in gas costs and tariff adjustments. The share of profit edged up to THB1.1 billion in 2023 from THB342 million in 2022, while dividend receipts increased to THB581 million in 2023, from THB157 million in 2022.

Under our base-case scenario, investments in the power business are expected to yield dividends totaling THB500-THB600 million per year during the forecast period.

Despite sizable investments, financial leverage should remain moderate

AMATA's leverage has increased on the back of sizable investments in land. The company's adjusted net debt was THB15.5 billion at the end of March 2024, up from THB13.5 billion in 2022. The net debt to EBITDA ratio was 4.3-4.4 times in 2023 through the first quarter of 2024, up from 3.1 in 2022.

We anticipate a rise in AMATA's leverage over the next few years as the company plans to secure several land plots both in Thailand and overseas to propel its strong momentum in land sales. AMATA's capital expenditures (CAPEX) and investments in real estate inventory are projected to be THB7-THB12 billion per year during 2024-2026. Investments include 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 EBITDA should hover around THB4.5-THB5.6 billion per year during 2024-2026. The net debt to EBITDA ratio is projected to hover at around 5 times over the next three years, while total debt to capitalization should stay in the 45%-48% range over the same period.

Manageable liquidity

AMATA's debt maturing within the next 12 months amounts to THB5 billion, comprising THB2.7 billion in senior unsecured debentures and THB2.2 billion in long-term loans, while capital expenditures and real estate investments are anticipated to total around THB7-THB12 billion per year.

AMATA's sources of liquidity at the end of March 2024 included cash on hand and short-term investments of THB2.4 billion, undrawn bank facilities of THB6.6 billion, and expected funds from operations (FFO) of about THB3 billion in 2024. In addition, the company is in the process of applying for additional credit line amounts to THB1.8 billion from financial institution. We expect the company will continue to maintain sufficient liquidity to weather adverse operating conditions.

The financial covenant on AMATA's debenture issues requires the company's interest-bearing debt to equity ratio to remain below 2.5 times. As of March 2024, the ratio was 0.6 times. We expect the company to remain in compliance with the financial covenant over the forecast period.

Debt structure

As of March 2024, AMATA had consolidated debt (excluding lease liabilities) of THB16.4 billion. The company's priority debt totaled THB5.6 billion, most of which was unsecured debt at the subsidiary level. The priority debt to total debt ratio was about 34%.

BASE CASE ASSUMPTIONS

- Total operating revenue to range from THB13-THB17 billion annually in 2024-2026.
- EBITDA margin to hover around 33% in 2024-2026, down from 37% in 2023 owing to a change in revenue mix.
- Total capital spending and land development costs to range from THB7-THB12 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

The ratings could be upgraded if the company is able to lower its leverage, with the net debt to EBITDA ratio staying well below 4 times on a sustained basis, as well as generate satisfactory returns from its Vietnam operations. On the contrary, the ratings could be downgraded if the company's operating performance is materially weaker than expected such that the net debt to EBITDA ratio staying above our projection for an extended period.

COMPANY OVERVIEW

AMATA was founded in 1989 by Mr. Vikrom Kromadit (Acting 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 2023.

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. As of March 2024, AMATA had 2,053 rai of land available for sale and 972 rai of commercial area in Thailand. The company also had 12,938 rai of raw land pending, mostly in Chonburi, awaiting development.

AMATA entered the Vietnam market in 1994 with the launch of its first industrial estate, AMATA City Bien Hoa (ACBH). Currently, the company owns three industrial estates, which are ACBH and ACLT in the southern part of the country, and ACHL in the north. At present, the company has available land inventories in ACHL and ACLT totaling 1,000 rai, while land in ACBH has been largely sold out. The company is awaiting an investment certificate for the remaining salable area in ACBH of about 119 rai.

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

Apart from selling land, AMATA provides infrastructure, facilities, and maintenance services to customers in its industrial estates. These services include the supply of raw, potable and clarified water, wastewater treatment, and maintenance. The company, through a joint venture, also sells or leases ready-built factories to small- and medium-sized enterprises. AMATA owns equity stakes in several power plants in Thailand, with holding ranging from 15% to 20%. It also holds a 7% equity stake in a power company in Vietnam.

KEY OPERATING PERFORMANCE

Table 1: AMATA's Revenue Breakdown

Unit: %

Revenue	2019	2020	2021	2022	2023	Jan-Mar 2024
Sales						
- Industrial land	54	37	43	44	50	39
Total sales	54	37	43	44	50	39
Recurring income						
- Utilities & services	33	44	39	43	41	53
- Rental	13	20	19	13	9	8
Total recurring income	46	63	57	56	50	61
Total revenue	100	100	100	100	100	100
Total revenue (THB million)	5,914	4,202	5,097	6,502	9,517	2,701

Source: AMATA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	2,720	9,627	6,612	5,201	4,318
Earnings before interest and taxes (EBIT)	949	3,626	4,101	2,807	2,002
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	906	3,573	4,305	3,206	2,230
Funds from operations (FFO)	591	2,438	3,478	2,401	1,579
Adjusted interest expense	175	687	472	494	436
Capital expenditures	91	2,061	984	394	611
Total assets	58,012	57,588	47,659	45,471	40,222
Adjusted debt	15,494	15,338	13,470	13,682	14,236
Adjusted equity	26,575	25,727	24,415	22,008	18,753
Adjusted Ratios					
EBITDA margin (%)	33.3	37.1	65.1	61.6	51.6
Pretax return on permanent capital (%)	8.2	8.6	10.4	7.7	6.1
EBITDA interest coverage (times)	5.2	5.2	9.1	6.5	5.1
Debt to EBITDA (times)	4.4	4.3	3.1	4.3	6.4
FFO to debt (%)	15.4	15.9	25.8	17.6	11.1
Debt to capitalization (%)	36.8	37.3	35.6	38.3	43.2

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:	
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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