

AMATA CORPORATION PLC

No. 58/2018

2 August 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
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 outstanding senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating to AMATA's proposed issue of up to Bt1,000 million in senior unsecured debentures at "A". The company will use the proceeds from the debentures to repay its debt and for the planned capital expenditures.

The ratings reflect the company's proven record as one of the leading industrial estate developers in Thailand. The ratings also factor in a sizable base of recurring revenues from utility services and dividend AMATA receives from a number of investments in the power business. However, the ratings are partially constrained by the volatile nature of the industrial property market, as well as the country and regulatory risks associated with AMATA's operations in Vietnam.

AMATA posted strong performance in the first quarter of 2018. Revenue grew by 45.4% year-on-year (y-o-y) to Bt1,127 million in the first quarter of 2018, underpinned by strong growth in revenues from land transfers and a steady rise in recurring utility and rental income. Profitability was satisfactory. The operating margin before depreciation and amortization in the first quarter of 2018 was 45.2%, compared with 33%-43% in 2015-2017. The rise was attributed by mix of revenue from high margin land transfers in Vietnam.

AMATA has a healthy balance sheet. However, the continued expansion has put leverage on the rise. Total debt escalated to Bt9,142 million as of March 2018 from Bt6,750 million in 2016. The debt to capitalization ratio increased to 37.3% at the end of March 2018 from 32.2% in 2016. Over the next three years, the company plans to make capital expenditures of Bt15,000 million in total to acquire land and develop sites in Thailand, plus new industrial estates in Vietnam. Despite the sizable investments, we expect AMATA's debt to capitalization ratio will stay below 50%.

AMATA's cash flow protection is satisfactory. The ratio of funds from operations (FFO) to total debt was fair at 18.0% in 2017 and 21.5% (annualized, from the trailing 12 months) in the first quarter of 2018. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio was good at 11.9 times in 2017 and 14.4 times in the first three months of 2018.

RATING OUTLOOK

The "stable" outlook reflects our 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 partially provide a cushion for the company to weather the economic slowdown.

Under TRIS Rating's base case scenario, we expect AMATA's FFO will hover around Bt2,000 million per year during 2018-2020, while EBITDA will range from Bt2,700-Bt3,000 million. AMATA has scheduled debt repayment of Bt800-Bt1,800 million per year. Given the expected levels of cash flow, debt repayment, and planned capital expenditures, we estimate the company's FFO to total debt ratio will be around 11.0%-14.0% during the next three years,

while the EBITDA interest coverage ratio will stay above 5 times during the same period.

RATING SENSITIVITIES

The ratings of AMATA and its debentures could be under downward pressure if more intense competition or slack demand leads to weaker-than-expected revenues and cash flow from operations. The ratings could be revised upward if the cash generation increases significantly and the balance sheet stays healthy.

AMATA Corporation PLC (AMATA)

Company Rating:	A
Issue Ratings:	
AMATA200A: Bt1,000 million senior unsecured debentures due 2020	A
AMATA220A: Bt2,000 million senior unsecured debentures due 2022	A
AMATA240A: Bt2,000 million senior unsecured debentures due 2024	A
Up to Bt1,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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