

AMATA CORPORATION PLC

No. 66/2017

21 September 2017

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

Company Rating History:

Date	Rating	Outlook/Alert
27/6/17	A	Stable

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Rating Rationale

TRIS Rating affirms the company rating of Amata Corporation PLC (AMATA) at "A". At the same time, TRIS Rating assigns the rating of "A" to AMATA's proposed issue of up to Bt5,000 million in senior unsecured debentures. The proceeds from the debentures will be used to repay its debt and for the planned capital expenditures. The ratings continue to reflect 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 stable income from investment in power generating business. The ratings are 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 held approximately 21.2% of the company's outstanding shares, as of June 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 properties, comprised 40% of the total revenue.

AMATA owns and operates three industrial parks in Chonburi and Rayong provinces, with a total area of 43,962 rai. As of June 2017, AMATA had 3,540 rai of land available for sale, 80% of which was located in Rayong province. Additionally, the company had 7,466 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. AMATA's 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 June 2017, about 35 hectares (or 218.8 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 and investment climates. 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, compared with

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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 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.

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 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. EBITDA continued to rise in the first half of 2017. EBITDA was Bt1,001 million in the first six months of 2017, up 33.4% from Bt750 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 late 2016. Currently, AMATA has holding stakes of about 15%-27% each in five 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 June 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 33.2% at the end of June 2017. The cash flow protection 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 25.4% (annualized, from the trailing 12 months) in the first half of 2017. The EBITDA interest coverage ratio was good at 9.4 times in 2016 and 9.3 times in the first half 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 Bt776 million and long-term loans of Bt1,694 million. AMATA can meet these obligations by utilizing its undrawn working capital facilities of about Bt2,000 million, plus annual FFO of Bt1,700 million, and cash on hand and marketable securities totaling Bt883 million at the end of June 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 stagnant investment demand.

The credit ratings 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 ratings could be revised upward should the company noticeably enlarge its cash flow base over a sustained period while maintaining its healthy balance sheet.

Amata Corporation PLC (AMATA)

Company Rating:	A
Issue Rating:	
Up to Bt5,000 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Jun 2017	2016	2015	2014	2013	2012
Sales	1,796	4,484	5,170	7,358	7,262	5,861
Gross interest expense	108	266	306	360	350	391
Net income from operations	569	1,438	1,216	2,560	1,516	1,501
Funds from operations (FFO)	452	1,776	2,343	2,824	2,289	1,991
Inventory investment	(1,760)	(87)	448	(2,027)	729	(1,444)
Total assets	26,676	26,596	25,451	22,137	22,203	21,014
Total debt	7,076	6,750	6,743	7,259	7,683	7,082
Shareholders' equity	14,242	14,240	13,501	12,215	10,191	8,906
Operating income before depreciation and amortization as % of sales	32.46	42.85	32.53	42.81	35.39	40.58
Pretax return on permanent capital (%)	11.96 **	10.52	13.07	17.51	15.58	15.13
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	9.26	9.36	9.49	10.07	8.33	6.98
FFO/total debt (%)	25.38 **	26.32	34.75	38.90	29.79	28.11
Total debt/capitalization (%)	33.19	32.16	33.31	37.28	42.98	44.30

* Consolidated financial statements

** Annualized from trailing 12 months

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