

Amata Corporation - AMATA

CY14 likely to see downbeat earnings

Bloomberg | Reuters
AMATA.TB | AMATA.BK



Phillip Securities Research Pte Ltd
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Report type: Company Update

Company Overview

AMATA is mainly engaged in the industrial real estate development business. Its key industrial estates include Amata Nakorn in Chonburi Province and Amata City in Rayong Province. It also operates the power business through joint ventures.

- Land sales over the first nine months were as low as 647 rais.
- CY13 net profit is expected to continue to grow on ample revenue backlog. However, the subdued presales are expected to eat into the company's profitability next year that operating profit would decline y-y.
- Nevertheless, AMATA continues to sell leased factories to mutual fund and the fruitful results will help boost the bottom-line growth in CY14.
- We have a 'NEUTRAL' call for AMATA with a target price of Bt15.26.

What is the news?

The dismal 9MCY13 land sales of 647 rais prompted AMATA to cut by one-third of the whole-year land sales target to 1,000 rais from 3,000 rais.

How do we view this?

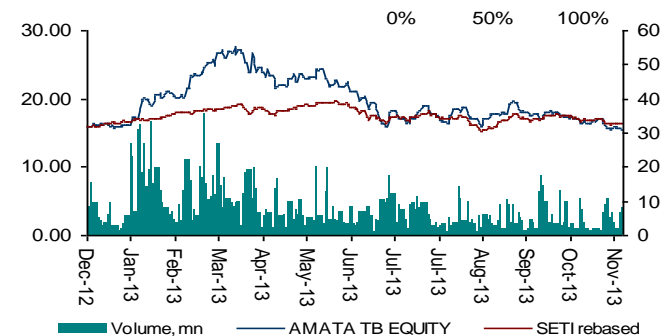
CY13 earnings appear to remain strong as ample revenue backlog will be the key driver to top-line growth. The sluggish land sales however would eat into AMATA's operating performance next year – revenue is forecast to stay flat y-y while net profit growth would rely on the results of the company's plan to sell leased factories to mutual fund.

Investment Actions?

We de-rate forward P/E to 9x from historical mean of 10x to reflect gloomy CY14 earnings performance. As the stock is trading nearly fully value, we have a 'NEUTRAL' rating on AMATA stock with a target price of Bt15.26.

Amata Corporation

Rating	3.00	Neutral
- Previous Rating	4.00	Reduce
Target Price (Bt)	15.26	
- Previous Target Price (Bt)	17.00	
Closing Price (Bt)	15.50	
Expected Capital Gains (%)	-1.5%	
Expected Dividend Yield (%)	2.2%	
Expected Total Return (%)	0.6%	
Raw Beta (Past 2yrs w weekly data)	1.31	
Market Cap. (USD mn)	514	
Enterprise Value (USD mn)	733	
Market Cap. (Bt mn)	16,539	
Enterprise Value (Bt mn)	23,355	
3M Average Daily T/O (mn)	5.1	
52 week range	15.2 - 28	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Vikrom Krommadit	20.2
2. Thai NVDR	8.2
3. THE BANK OF NEW YORK MELLON	4.8

Key Financial Summary

FYE	12/12	12/13F	12/14F	12/15F
Revenue (Btmn)	5,377	7,414	7,534	7,139
Net Profit (Btmn)	1,250	1,725	1,711	1,617
EPS (Bt)	1.31	1.71	1.70	1.61
Net Profit, adj. (Btmn)	996	1,823	1,809	1,715
EPS, adj. (Bt)	0.93	1.71	1.70	1.61
P/E (X),adj.	16.6	9.1	9.1	9.6
BVPS (Bt)	10.49	9.99	11.30	12.36
P/B (X)	2.7	2.5	1.5	1.6
DPS (Bt)	0.55	0.34	0.34	0.32
Div. Yield (%)	3.5	2.2	2.2	2.1

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E14 (9x)

Analyst

Phillip Research Team

+65 65311240

research@phillip.com.sg

9MCY13 land sales as low as 647 rais

The nine-month land sales was very disappointed at as low as 647 rais, well below AMATA's 2013 land sales target of 3,000 rais. The company recently slashed its land sales target to only 1,000 rais. The reason behind the dismal land sales was the fact that AMATA's large auto company delayed its investment expansion and Amata Nakorn at Cholburi suffered from the flood incident, including anti-government rallies.

In our view, CY13 land sales would be approximately 1,000 rais, much below from 2,500 rais a year ago. For CY14, land sales are expected to increase to 1,300 rais as a political turmoil is expected to come to an end by year-end while flood prevention measure is expected to implement.

CY14 outlook: Earnings seems downbeat y-y

Despite sluggish land sales, CY13 earnings are expected to continue to grow y-y as revenue backlog totaled Bt5.8bn at end-3QCY13 and of which Bt1.3bn will be recognized in 4QCY13. This, combined with Bt4.1bn revenue in 9MCY13, will boost CY13 revenue to Bt5.4bn, up 44% y-y. Revenue from water supplies and utilities business is forecast to increase 18% and 26% y-y. Thus, total revenue would grow as much as 38% y-y. The notable revenue growth (in spite of Bt100mn expense for flood prevention), while gross margin would remain elevated, would boost significantly net profit by 30% y-y.

For CY14, up to Bt4bn aforementioned revenue backlog will be recognized during the year and more revenue is expected to derive from land sales occurred in 4QCY13 and in 2014 – expecting notable improvement in the second half of year. Despite this, land sales revenue would decline slightly by 1% y-y, given forward visibility of around 6-9 months. Thus, total revenue would grow by a mere 2% y-y, though revenue from lease and utilities would increase by 10% y-y. Despite a meager reduction in land sales revenue, flat margin, and a lack of flood prevention expense, higher expense in land sales to stimulate land sales would drag net profit down by 1% y-y.

Nonetheless, if the company succeeds in selling its leased factories to property fund next year (more details remain undisclosed), gains from this transaction would become a driver to CY14 bottom-line growth.

'NEUTRAL' rating as stock nearly fully valued

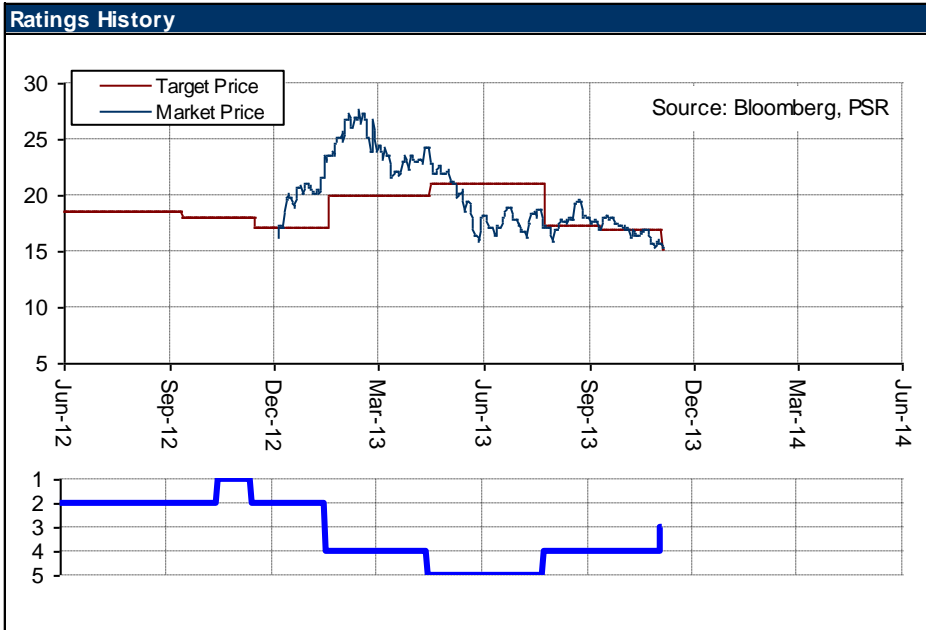
We de-rate forward P/E by 1x to 9x from historical mean of 10x to reflect weaker operating profit. Even though the stock price retreated deeply, it is nearly fully valued to our price target of Bt15.26, and thus we rate AMATA a 'NEUTRAL' stance.

FYE Dec	CY11	CY12	CY13F	CY14F	CY15F
Valuation Ratios					
P/E (X), adj.	20.7	16.6	9.1	9.1	9.6
P/B (X)	2.5	1.5	1.6	1.4	1.3
EV/EBITDA (X), adj.	15.5	11.5	8.2	7.9	8.4
Dividend Yield (%)	1.0	3.5	2.2	2.2	2.1
Per share data (Bt)					
EPS, reported	0.84	1.31	1.71	1.70	1.61
EPS, adj.	0.75	0.93	1.71	1.70	1.61
DPS	0.15	0.55	0.34	0.34	0.32
BVPS	6.32	10.49	9.99	11.30	12.36
Growth & Margins (%)					
Growth					
Revenue	22.2	40.6	37.9	1.6	-5.3
EBITDA	26.0	34.6	40.4	3.4	-5.4
EBIT	33.3	41.0	41.0	6.4	-6.3
Net Income, adj.	29.5	24.4	83.1	-0.8	-5.2
Margins					
EBITDA margin	39.4	37.7	38.3	39.0	39.0
EBIT margin	34.4	34.5	35.3	36.9	36.5
Net Profit Margin	27.3	27.3	27.6	26.9	27.1
Key Ratios					
ROE (%)	15.7	16.8	19.5	18.3	15.7
ROA (%)	5.5	6.0	7.6	7.9	7.2
Net Debt-Cash	5,691	5,298	5,551	5,100	4,781
Net Gearing(X)	0.8	0.5	0.5	0.4	0.4
Income Statement (Bt mn)					
Revenue	3,824	5,377	7,414	7,534	7,139
EBITDA	1,505	2,026	2,843	2,940	2,781
Depreciation & Amortisation	190	171	229	160	177
EBIT	1,315	1,854	2,614	2,780	2,604
Net Finance (Expense)/Income	(293)	(399)	(361)	(391)	(355)
Other items	100	403	0	0	0
Associates & JVs	137	120	153	186	202
Profit Before Tax	1,259	1,979	2,406	2,576	2,452
Taxation	(215)	(511)	(357)	(547)	(516)
Profit After Tax	1,043	1,468	2,049	2,028	1,935
Non-controlling Interest	143	218	323	318	318
Net Income, reported	901	1,250	1,725	1,711	1,617
Net Income, adj.	801	996	1,823	1,809	1,715

Source: PSR est.

FYE Dec	CY11	CY12	CY13F	CY14F	CY15F
Balance Sheet (Bt mn)					
Cash	1,543	1,784	817	688	427
ST Investments	0	248	563	563	563
Accounts Receivables	203	232	218	309	163
Inventories	5,198	6,348	6,521	7,136	7,994
Others	70	69	248	248	248
Total current assets	7,014	8,682	8,367	8,945	9,394
PPE	1,126	1,049	1,224	1,300	1,360
Property Investments	2,071	5,867	2,783	2,783	2,783
Associates & JVs	1,136	1,259	1,552	1,657	1,859
Investments	200	200	0	0	0
Others	6,572	6,792	7,462	7,462	7,462
Total non-current assets	11,104	15,167	13,020	13,201	13,463
Total Assets	18,118	23,848	21,387	22,146	22,857
Short term loans	3,087	1,973	2,161	2,781	3,401
Accounts Payables	380	591	418	427	436
Others	2,152	3,570	2,937	2,875	3,028
Total current liabilities	5,618	6,135	5,516	6,082	6,865
Long term loans	4,147	5,109	4,208	3,008	1,808
Others	1,613	1,411	1,001	1,001	1,001
Total liabilities	11,378	12,655	10,724	10,091	9,673
Non-controlling interest	716	2,340	1,845	2,163	2,480
Shareholder Equity	6,024	8,854	8,818	9,893	10,704
Cashflow Statements (Bt mn)					
CFO					
PBT	1,259	2,260	2,424	2,356	2,232
Adjustments	272	7	420	365	329
Cash from ops before WC changes	1,531	2,267	2,844	2,721	2,561
WC changes	642	1,091	(35)	(761)	(548)
Cash generated from ops	2,173	3,358	2,809	1,960	2,013
Taxes paid, net	(231)	(174)	(655)	(547)	(516)
Interest paid	(277)	(399)	(377)	(391)	(355)
Cashflow from ops	1,664	2,785	1,777	1,022	1,142
CFI					
CAPEX, net	(352)	(388)	(313)	(236)	(236)
Dividends from associates & JVs	128	82	47	81	0
Dividends/Interest from Investments	0	0	0	0	0
Purchase/sale of investments	(200)	(152)	(314)	0	0
Investments in subs & associates	0	(6)	(58)	0	0
Others	(2,459)	(1,321)	(995)	318	318
Cashflow from investments	(2,883)	(1,785)	(1,633)	163	82
CFF					
Share issuance	0	296	0	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	1,932	(152)	(714)	(580)	(580)
Dividends to minority interests	(96)	(193)	(85)	0	0
Dividends to shareholders & capital reduction	(160)	(693)	(320)	(734)	(905)
Others	0	0	0	0	0
Cashflow from financing	1,676	(742)	(1,119)	(1,314)	(1,485)
Net change in cash	458	257	(975)	(129)	(261)
Effects of exchange rates	(14)	81	9	0	0
CCE, end	1,543	1,784	817	688	427

Source: PSR est.



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
>-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

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Contact Information (Singapore Research Team)
Management
Chan Wai Chee

(CEO, Research - Special Opportunities)

+65 6531 1231

Research Operations Officer

Jermaine Tock

+65 6531 1240

Joshua Tan

(Head, Research - Equities & Asset Allocation)

+65 6531 1249

Macro | Asset Allocation | Equities

Joshua Tan

+65 6531 1249

Commodities | Offshore & Marine

Nicholas Ong

+65 6531 1440

US Equities

Wong Yong Kai

+65 6531 1685

Telecoms

Colin Tan

+65 6531 1221

Real Estate

Caroline Tay

+65 6531 1792

Real Estate

Lucas Tan

+65 6531 1229

Market Analyst | Equities

Kenneth Koh

+65 6531 1791

Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

 Raffles City Tower
 250, North Bridge Road #06-00
 Singapore 179101
 Tel +65 6533 6001
 Fax +65 6535 6631
 Website: www.poems.com.sg
MALAYSIA
Phillip Capital Management Sdn Bhd

 B-3-6 Block B Level 3 Megan Avenue II,
 No. 12, Jalan Yap Kwan Seng, 50450
 Kuala Lumpur
 Tel +603 2162 8841
 Fax +603 2166 5099
 Website: www.poems.com.my
HONG KONG
Phillip Securities (HK) Ltd

 11/F United Centre 95 Queensway
 Hong Kong
 Tel +852 2277 6600
 Fax +852 2868 5307
 Websites: www.phillip.com.hk
JAPAN
Phillip Securities Japan, Ltd.

 4-2 Nihonbashi Kabuto-cho Chuo-ku,
 Tokyo 103-0026
 Tel +81-3 3666 2101
 Fax +81-3 3666 6090
 Website: www.phillip.co.jp
INDONESIA
PT Phillip Securities Indonesia

 ANZ Tower Level 23B,
 Jl Jend Sudirman Kav 33A
 Jakarta 10220 – Indonesia
 Tel +62-21 5790 0800
 Fax +62-21 5790 0809
 Website: www.phillip.co.id
CHINA
Phillip Financial Advisory (Shanghai) Co Ltd

 No 550 Yan An East Road,
 Ocean Tower Unit 2318,
 Postal code 200001
 Tel +86-21 5169 9200
 Fax +86-21 6351 2940
 Website: www.phillip.com.cn
THAILAND
Phillip Securities (Thailand) Public Co. Ltd

 15th Floor, Vorawat Building,
 849 Silom Road, Silom, Bangrak,
 Bangkok 10500 Thailand
 Tel +66-2 6351700 / 22680999
 Fax +66-2 22680921
 Website: www.phillip.co.th
FRANCE
King & Shaxson Capital Limited

 3rd Floor, 35 Rue de la Bienfaisance 75008
 Paris France
 Tel +33-1 45633100
 Fax +33-1 45636017
 Website: www.kingandshaxson.com
UNITED KINGDOM
King & Shaxson Capital Limited

 6th Floor, Candlewick House,
 120 Cannon Street,
 London, EC4N 6AS
 Tel +44-20 7426 5950
 Fax +44-20 7626 1757
 Website: www.kingandshaxson.com
UNITED STATES
Phillip Futures Inc

 141 W Jackson Blvd Ste 3050
 The Chicago Board of Trade Building
 Chicago, IL 60604 USA
 Tel +1-312 356 9000
 Fax +1-312 356 9005

AUSTRALIA
PhillipCapital

 Level 12, 15 William Street,
 Melbourne, Victoria 3000, Australia
 Tel +61-03 9629 8288
 Fax +61-03 9629 8882
 Website: www.phillipcapital.com.au
SRI LANKA
Asha Phillip Securities Limited

 No 321, Lakshmans Building,
 2nd floor, Galle Road,
 Colombo 3, Sri Lanka
 Tel: (94) 11 2429 100 Fax: (94) 11 2429 199
 Website: www.ashaphillip.net/home.htm
INDIA
PhillipCapital (India) Private Limited

 No. 1, C- Block, 2nd Floor, Modern Center ,
 Jacob Circle, K. K. Marg, Mahalaxmi
 Mumbai 400011
 Tel: (9122) 2300 2999
 Fax: (9122) 6667 9955
 Website: www.phillipcapital.in