Small Cap Research

SELL (Unchanged) | **TP: Bt 6.60** (From: Bt 6.80)

Change in Numbers | **Downside : 14.8%** | **31 MARCH 2022**

AMATA VN Pcl. (AMATAV TB)

Land supply delay

As acquisition of new industrial landbank has been delayed to 4Q22, we cut our earnings by 23/28% in 2022-23F. Despite strong earnings turnaround of 40/70% in those years, a sharp fall in PE to 19x in 2023F still looks expensive to us given high earnings volatility due to the nature of the industrial land sales business. Reaffirm SELL.

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Thanachart Securities

Cutting earnings; reaffirming SELL

AMATAV is currently only selling land at Amata City Halong, and phase one of its landbank has been depleted. The company expects phase two to launch later this year. This is however slower than we had anticipated and poses a risk to land transfer revenue. AMATAV also plans to sell all of its rental factories. We estimate a gain of Bt800m and raise our 2022F net profit by 258%. On a normalized earnings basis, we cut our forecasts by 23/28/17% in 2022-24F to reflect a sharp drop in factory rental income, and lower industrial land transfers and gross margins. After our earnings cuts, we project normalized earnings growth of 40/70% in 2022-23F. Despite such strong growth, AMATAV still looks expensive to us. Reaffirm SELL with a lower NAV TP of Bt6.6 (from Bt6.8 previously).

New land supply ...

Its first 27-year-old Bien Hoa industrial estate (IE), in southern Vietnam, ran out of industrial land several years ago while Long Than, its second IE in a nearby province, has delayed its launch since 2015 because of delays in receiving land from the government. AMATAV's third IE in Halong, northern Vietnam, which recorded its first sales last year, now only has 190 rai available for sale, with the second phase land supply of 500 rai likely to be handed over by the government in 4Q22. As for Long Thanh estate, the company expects it will receive land supply of about 10% (170 rai) of estate area this year, which has completed land expropriation; the company expects the local government to move to the final step of land lease signing and handover soon.

...to support land sales growth

Vietnam's FDI is poised to rebound post-COVID, already recovering by 9% in 2021 but still below 20% in 2019. With new land supply and COVID measures ending, we estimate 438/500/500 rai p.a. of land presales in 2022-24F vs. bulk sales of 322 rai in 2021 to a solar manufacturer. There is high potential for bulk sale to an auto part manufacturer this year, in our view. We forecast normalized earnings growth of 40/70/34% in 2022-24F. AMATAV has a backlog of 75 rai of Bien Hoa estate commercial land, with the transfers set for 2023-25F.

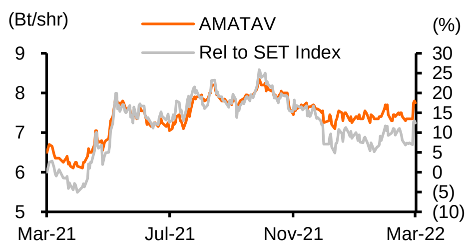
Unattractive valuation

AMATAV is expensive, in our view. Even with a strong growth turnaround, it still trades at 33x 2022E PE and 19x 2023E PE. Due to high earnings volatility, we believe it should trade in the 10-15x PE range during good earnings periods. We note high-quality recurring income is declining. With the sale of its rental factories, we forecast high-quality rental income to drop from Bt490m in 2021 to Bt290m in 2024F, or only c.10% of revenue.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	1,558	1,997	3,027	3,283
Net profit	686	1,021	374	503
Consensus NP	—	na	na	na
Diff frm cons (%)	—	*na*	*na*	*na*
Norm profit	158	221	374	503
Prev. Norm profit	—	285	521	608
Chg frm prev (%)	—	*(22.6)*	*(28.2)*	*(17.3)*
Norm EPS (Bt)	0.2	0.2	0.4	0.5
Norm EPS grw (%)	na	39.9	69.8	34.3
Norm PE (x)	46.0	32.9	19.4	14.4
EV/EBITDA (x)	22.8	18.9	14.1	10.9
P/BV (x)	1.7	1.6	1.5	1.4
Div yield (%)	0.6	5.6	2.1	2.8
ROE (%)	4.6	4.9	8.0	10.2
Net D/E (%)	66.8	56.1	63.2	51.5

PRICE PERFORMANCE



COMPANY INFORMATION

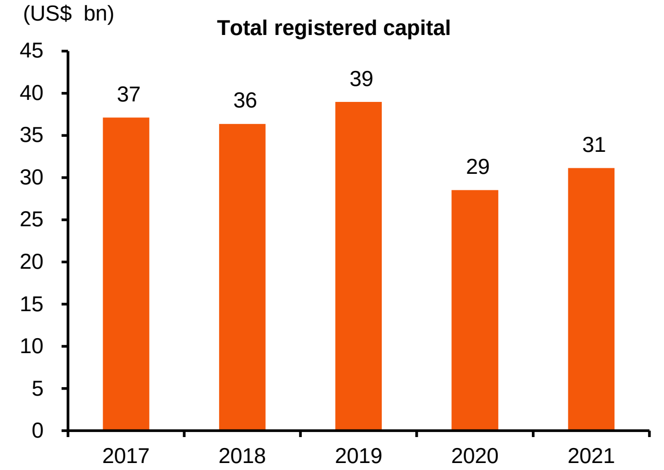
Price *as of* 31-Mar-22 (Bt)	7.75
Market Cap (US$ m)	218.0
Listed Shares (m shares)	935.0
Free Float (%)	26.0
Avg Daily Turnover (US$ m)	0.0
12M Price H/L (Bt)	8.35/6.10
Sector	Industrial Estate
Major Shareholder	AMATA 72.9%

Sources: Bloomberg, Company data, Thanachart estimates

Majority of new land supply to come late this year

Its first 27-year-old Bien Hoa industrial estate (IE), southern Vietnam, ran out of industrial land several years ago while Long Than, its second IE, has had to delay its launch since 2015 because of a delay in receiving land from the government. AMATAV is currently selling land at Amata City Halong, with only 190 rai available for sale. The company expects the second phase of 500 rai to launch in 4Q22. As for Long Thanh estate, the company expects it will receive land supply of about 10% (170 rai) of estate area this year, which has already completed land expropriation. The company expects the local government to proceed to the final step of land lease signing and handover soon.

Ex 1: Vietnam FDI Has Started To Rebound



Source: General Statistics Office In Vietnam

Ex 2: AMATAV's Landbank Status

(Unit: rai)	Approved area*	Available for sales	Expecting new supply in 2022F
Long Thanh	1,700	-	170
Halong	2,800	190	500
Quang Tri**	768	-	-
Total	**5,268**	**190**	**670**

Source: Company data

Note: *The area has already received an investment certificate from the government. The next step is to sign a lease contract with the government, carry out and clearance and have the land handed over, which is considered to be the hardest part of the whole process.

**This is under a joint-venture project which AMATAV holds 18%-stake

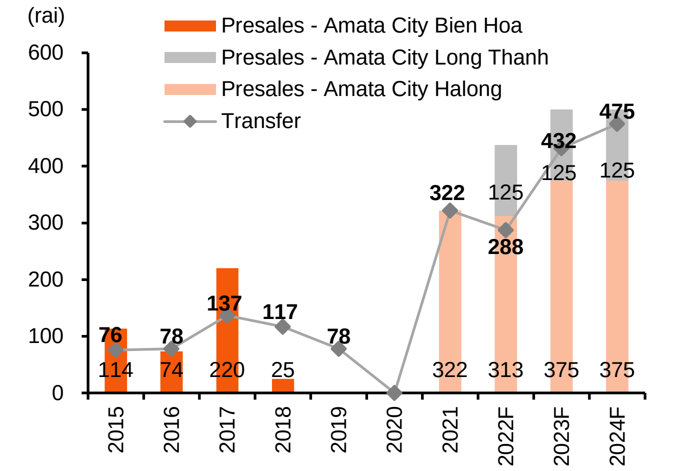
We expect a strong earnings turnaround

With new land supply and COVID measures coming to an end we estimate 438/500/500 rai p.a. of land presales in 2022-24F vs. bulk sales of 322 rai in 2021 to a solar manufacturer. There is high potential for bulk sale to an auto part manufacturer this year, in our view. By estate, we expect 313/375/375 rai of presales over 2022-24F to come from Amata City Halong and 125 rai p.a. from the higher-priced Amata city Long Thanh. The selling price for Long Thanh estate is Bt8.4m/rai vs. Halong estate's Bt3.3m/rai. AMATAV guided for gross margin for both estates to be around 30%, and our forecasts assume 25/25/30% p.a. of gross margin in 2022-24F vs. 25% in 2021. We forecast earnings growth of 40/70/34% in 2022-24F. Note that as it plans to sell all of its rental factories this year, we factor in a sharp fall in rental factory income. Rental factories have a higher margin than service income, resulting in a sharp drop in gross margin of rental and service income in 2023-24F.

But we reaffirm SELL on demanding valuation

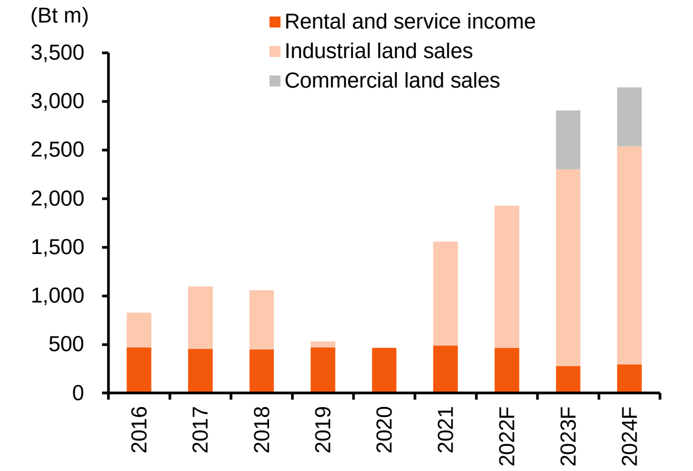
We reaffirm our SELL rating. The stock looks expensive to us. Even with a strong growth turnaround, it still trades at 33x 2022E PE and 19x 2023E PE. Due to its high earnings volatility, we believe the stock should trade in 10-15x PE range during a good earnings period.

Ex 3: Land Presales And Transfer Forecasts



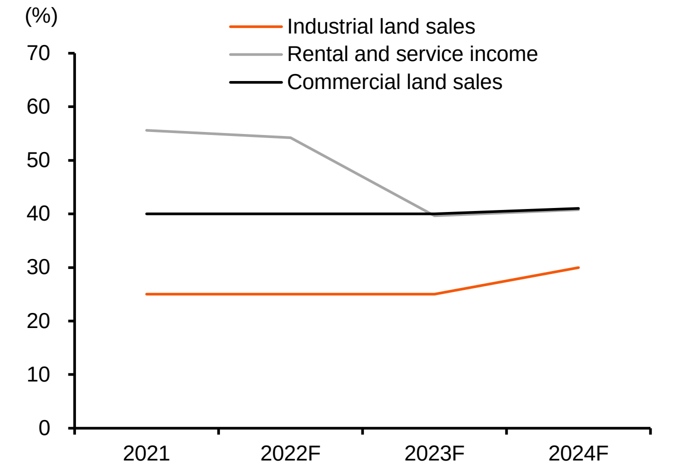
Sources: Company data, Thanachart estimates

Ex 4: Revenue Forecasts



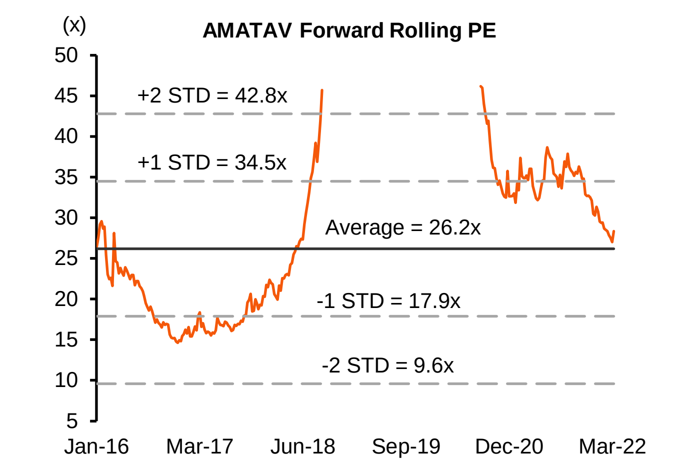
Sources: Company data, Thanachart estimates

Ex 5: Gross Margin Forecasts



Sources: Company data, Thanachart estimates

Ex 6: IE Stock Normally Trades At 10-15x



Sources: Bloomberg, Thanachart estimates
Note: IE stands for industrial estate

Ex 7: AMATAV Trades At An 17% Premium To Our New NAV Estimate Of Bt6.6/share

	Sellable area (rai)		Equity value
	Developed	Raw land	(Bt/share)
Bien Hoa - Commercial Complex	75	—	1.3
Long Thanh - Industrial park	125	1,669	1.2
Halong - Industrial park	2,800	—	4.1
Total			**6.6**

Sources: Company data, Thanachart estimates

Ex 8: Key Assumptions Change

	2021	2022F	2023F	2024F
Industrial land transfer (rai)				
New	322	188	315	352
Old		394	495	493
Gross margin - Industrial land (%)				
New	25	25	25	30
Old	25	30	30	35
Rental income (Bt m)				
New	266	240	48	58
Old		279	293	308
Change (%)		*(14.3)*	*(83.7)*	*(81.0)*
Extra item: gain on factory sales (Bt m)	360	800	0	0
Normalized profit (Bt m)				
New	158	221	374	503
Old		285	521	608
Change (%)		*(22.6)*	*(28.2)*	*(17.3)*
Net profit (Bt m)				
New	686	1,021	374	503
Old		285	521	608
Change (%)		*(258.2)*	*(28.2)*	*(17.3)*

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 9: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Sembcorp Industri	SCI SP	Singapore	59.3	11.8	10.9	9.7	1.1	1.0	9.2	8.7	2.3	2.7
Bekasi Fajar Industrial Estate	BEST IJ	Indonesia	45.5	na	na	18.3	0.2	0.2	12.1	8.4	0.1	1.9
Alam Sutera Realty	ASRI IJ	Indonesia	59.3	31.2	11.5	8.7	0.3	0.3	7.8	6.8	na	na
Bumi Serpong Damai	BSDE IJ	Indonesia	48.3	20.0	12.4	10.4	0.6	0.6	7.7	7.2	0.7	0.7
Ciputra Development	CTRA IJ	Indonesia	(6.3)	7.8	13.6	12.6	1.1	1.0	8.3	8.1	1.9	2.1
Lippo Karawaci	LPKR IJ	Indonesia	na	110.6	21.3	10.1	0.5	0.4	10.2	8.7	0.0	0.0
Pakuwon Jati	PWON IJ	Indonesia	34.6	16.3	14.2	12.2	1.4	1.3	9.5	8.4	0.8	1.0
Summarecon Agung	SMRA IJ	Indonesia	53.0	37.3	24.5	17.9	1.4	1.3	10.7	9.3	0.5	0.7
Surya Semesta	SSIA IJ	Indonesia	na	179.0	38.3	13.7	0.5	0.5	6.2	4.7	0.0	0.6
Amata Corporation *	AMATA TB	Thailand	80.2	40.8	18.5	13.1	1.5	1.4	13.8	10.7	2.2	3.0
Amata VN *	AMATAV TB	Thailand	39.9	69.8	32.9	19.4	1.6	1.5	18.9	14.1	5.6	2.1
Frasers Property *,**	FPT TB	Thailand	57.3	26.3	15.2	12.1	1.0	1.0	18.0	15.2	2.6	3.3
WHA Corp PCL *	WHA TB	Thailand	18.7	16.9	15.7	13.4	1.7	1.6	25.6	19.8	2.8	3.0
Average			**43.1**	**47.3**	**19.1**	**13.2**	**1.0**	**0.9**	**12.2**	**10.0**	**1.6**	**1.8**

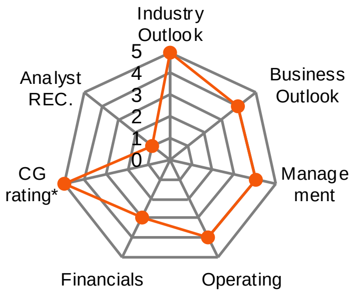
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS
** FPT's fiscal year ends in September
Based on 31-Mar-22 closing prices

COMPANY DESCRIPTION

Amata VN (AMATAV) is a holding company which owns 90% of Amata (Vietnam) Join Stock Company (JSC) that has run Amata City Bien Hoa Industrial Park (IP) in Dong Nai province in southern Vietnam since 1994. AMATAV currently sell land at Amata City Halong in Quan Ninh province and plans to launch Amata City Long Thanh this year.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strategically located near a transport logistics network and 30km from Ho Chi Minh City.
- Keen on investing in Vietnam with 20 years of experience.
- Well-known for its high-quality foreign-run industrial park.

W — Weakness

- Earnings are very dependent on land sales, which are by nature bulky and can cause high earnings volatility.
- Business is capital-intensive.
- Business is less diversified than peers'.

O — Opportunity

- Electronics companies and suppliers' capacity expansion.
- Diversification into businesses which contribute recurring income, i.e., rental business, utilities and power.
- Expanding to northern Vietnam to take advantage of being closer to China.

T — Threat

- Vietnam government regulatory risk.
- Highly sensitive to economic conditions.
- Currency fluctuations.
- Rapid wage increases.
- Unclear regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	na	6.60	na
Net profit 22F (Bt m)	na	1,021	na
Net profit 23F (Bt m)	na	374	na
Consensus REC	**BUY: 0**	**HOLD: 0**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- No consensus.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If Vietnam's domestic economy and exports perform better than our current expectations, there could be upside risk to our industrial and commercial-land sales assumptions.
- If land handover, construction license, land clearance and infrastructure development were to proceed faster than we currently expect, there could be upside risk to our industrial land sales projections.
- If land selling prices and gross margins on land sales come in higher than our present assumptions, there could be upside risk to our earnings forecasts.

Source: Thanachart

We expect the Halong and Long Thanh estates to drive 2022-23F earnings

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	467	1,558	1,997	3,027	3,283
Cost of sales	224	1,019	1,362	2,134	2,203
Gross profit	**243**	**539**	**636**	**892**	**1,080**
% gross margin	52.0%	34.6%	31.8%	29.5%	32.9%
Selling & administration expenses	120	156	173	203	218
Operating profit	**122**	**384**	**462**	**689**	**862**
% operating margin	26.2%	24.6%	23.2%	22.8%	26.3%
Depreciation & amortization	81	83	86	79	90
EBITDA	**204**	**466**	**548**	**768**	**952**
% EBITDA margin	43.7%	29.9%	27.5%	25.4%	29.0%
Non-operating income	38	50	57	57	59
Non-operating expenses	(1)	(11)	(5)	(5)	(5)
Interest expense	(134)	(153)	(143)	(137)	(140)
Pre-tax profit	**26**	**271**	**371**	**604**	**776**
Income tax	30	54	74	121	155
After-tax profit	**(4)**	**216**	**297**	**483**	**621**
% net margin	-0.9%	13.9%	14.8%	16.0%	18.9%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(10)	(59)	(76)	(109)	(118)
Extraordinary items	(17)	528	800	0	0
NET PROFIT	**(30)**	**686**	**1,021**	**374**	**503**
Normalized profit	**(14)**	**158**	**221**	**374**	**503**
EPS (Bt)	(0.0)	0.7	1.1	0.4	0.5
Normalized EPS (Bt)	(0.0)	0.2	0.2	0.4	0.5

Majority of assets locked in at its long-delayed Long Thanh estate

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,237	3,247	3,513	4,948	5,196
Cash & cash equivalent	107	1,075	729	729	729
Account receivables	123	771	985	1,493	1,619
Inventories	950	1,006	1,343	2,105	2,173
Others	57	395	456	622	675
Investments & loans	0	0	0	0	0
Net fixed assets	743	603	139	168	190
Other assets	5,841	7,997	8,086	8,169	8,228
Total assets	**7,821**	**11,847**	**11,737**	**13,286**	**13,614**
LIABILITIES:					
Current liabilities:	1,075	3,241	2,492	3,350	3,518
Account payables	89	630	842	1,320	1,363
Bank overdraft & ST loans	0	590	306	347	312
Current LT debt	917	1,195	422	479	431
Others current liabilities	69	826	923	1,204	1,413
Total LT debt	**3,149**	**2,656**	**3,092**	**3,510**	**3,157**
Others LT liabilities	729	910	648	716	783
Total liabilities	**4,954**	**6,806**	**6,232**	**7,576**	**7,458**
Minority interest	337	768	844	953	1,072
Preferreds shares	0	0	0	0	0
Paid-up capital	468	468	468	468	468
Share premium	1,118	1,118	1,118	1,118	1,118
Warrants	0	0	0	0	0
Surplus	348	1,404	1,000	1,000	1,000
Retained earnings	**597**	**1,283**	**2,076**	**2,171**	**2,499**
Shareholders' equity	2,530	4,272	4,661	4,757	5,084
Liabilities & equity	**7,821**	**11,847**	**11,737**	**13,286**	**13,614**

Sources: Company data, Thanachart estimates

Working capital for more land expropriation, developing new infrastructure

The stock trades at a premium to our NAV-based TP of Bt6.6/share

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	26	271	371	604	776
Tax paid	(61)	(10)	(75)	(82)	(154)
Depreciation & amortization	81	83	86	79	90
Chg In working capital	(537)	(163)	(339)	(792)	(152)
Chg In other CA & CL / minorities	(67)	641	(86)	(40)	36
Cash flow from operations	**(557)**	**821**	**(43)**	**(231)**	**597**
Capex	(67)	57	383	(100)	(100)
Right of use	(34)	13	(50)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	72	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(623)	(1,522)	617	144	165
Cash flow from investments	**(652)**	**(1,453)**	**950**	**(6)**	**15**
Debt financing	22	543	(621)	516	(436)
Capital increase	0	0	0	0	0
Dividends paid	(20)	(15)	(227)	(279)	(175)
Warrants & other surplus	33	1,071	(404)	0	0
Cash flow from financing	**34**	**1,599**	**(1,252)**	**238**	**(612)**
Free cash flow	**(624)**	**878**	**340**	**(331)**	**497**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	46.0	32.9	19.4	14.4
Normalized PE - at target price (x)	na	39.1	28.0	16.5	12.3
PE (x)	na	10.6	7.1	19.4	14.4
PE - at target price (x)	na	9.0	6.0	16.5	12.3
EV/EBITDA (x)	55.0	22.8	18.9	14.1	10.9
EV/EBITDA - at target price (x)	49.7	20.5	16.9	12.7	9.8
P/BV (x)	2.9	1.7	1.6	1.5	1.4
P/BV - at target price (x)	2.4	1.4	1.3	1.3	1.2
P/CFO (x)	(13.0)	8.8	(166.8)	(31.4)	12.1
Price/sales (x)	15.5	4.7	3.6	2.4	2.2
Dividend yield (%)	0.0	0.6	5.6	2.1	2.8
FCF Yield (%)	(8.6)	12.1	4.7	(4.6)	6.9
(Bt)					
Normalized EPS	(0.0)	0.2	0.2	0.4	0.5
EPS	(0.0)	0.7	1.1	0.4	0.5
DPS	0.0	0.1	0.4	0.2	0.2
BV/share	2.7	4.6	5.0	5.1	5.4
CFO/share	(0.6)	0.9	(0.0)	(0.2)	0.6
FCF/share	(0.7)	0.9	0.4	(0.4)	0.5

Sources: Company data, Thanachart estimates

The two new estates have lower margin that the previous estate, Bien Hoa

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(12.1)	233.8	28.2	51.5	8.5
Net profit (%)	na	na	48.7	(63.3)	34.3
EPS (%)	na	na	48.7	(63.3)	34.3
Normalized profit (%)	na	na	39.9	69.8	34.3
Normalized EPS (%)	na	na	39.9	69.8	34.3
Dividend payout ratio (%)	0.0	6.8	40.0	40.0	40.0
Operating performance					
Gross margin (%)	52.0	34.6	31.8	29.5	32.9
Operating margin (%)	26.2	24.6	23.2	22.8	26.3
EBITDA margin (%)	43.7	29.9	27.5	25.4	29.0
Net margin (%)	(0.9)	13.9	14.8	16.0	18.9
D/E (incl. minor) (x)	1.4	0.9	0.7	0.8	0.6
Net D/E (incl. minor) (x)	1.4	0.7	0.6	0.6	0.5
Interest coverage - EBIT (x)	0.9	2.5	3.2	5.0	6.2
Interest coverage - EBITDA (x)	1.5	3.1	3.8	5.6	6.8
ROA - using norm profit (%)	na	1.6	1.9	3.0	3.7
ROE - using norm profit (%)	na	4.6	4.9	8.0	10.2
DuPont					
ROE - using after tax profit (%)	na	6.4	6.6	10.3	12.6
- asset turnover (x)	0.1	0.2	0.2	0.2	0.2
- operating margin (%)	34.2	27.2	25.7	24.5	27.9
- leverage (x)	3.0	2.9	2.6	2.7	2.7
- interest burden (%)	16.1	63.9	72.1	81.5	84.7
- tax burden (%)	na	79.9	80.0	80.0	80.0
WACC (%)	5.9	5.9	5.9	5.9	5.9
ROIC (%)	(0.4)	4.7	4.8	7.1	8.2
NOPAT (Bt m)	(19)	306	370	552	690
invested capital (Bt m)	6,489	7,637	7,752	8,364	8,255

Sources: Company data, Thanachart estimates

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