WHA Corporation PCL

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SCB Securities

Riding the logistics expansion/upgrade cycle

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- **Thailand's leading developer of premium-grade warehouses and factories**
- **Domestic logistics CAPEX cycle is on the rise, thanks to robust consumption and modernizing distribution channels**
- **Continued urbanization and upcoming AEC are likely to drive the demand for logistics infrastructure expansion/upgrade further**
- **WHA core profit to post staggering 159% CAGR during 2011-2014 on rapid portfolio expansion, gains from asset spin-off, and low base effect**
- **Estimated fair value at Bt6.8-8.7bn or Bt13.4-17.2/share**

Thailand's leading developer of premium-grade, built-to-suit warehouses and factories. Established in 2003, WHA has become Thailand's leading developer for premium-grade, built-to-suit warehouses and factories. The company initially teamed up with CWT (Singapore) and Glomac Berhad (Malaysia) and built a strong track record with multiple high-profile projects for well-known multinational corporations. WHA has developed a unique "warehouse farm" concept to serve overflow demand for existing clients and immediate demand for storage space for walk-ins.

Thai logistics infrastructure expansion/upgrade cycle is on the rise. Thailand's warehouse and factory demand is being fuelled by robust domestic consumption, thanks to a healthy urbanization trend and the proliferation of modern-trade retailing which requires more regionally-based distribution centers to enhance logistics efficiency. With more than 40% of WHA's clients in the consumer products and 34% in logistics service sectors, it will tend to piggyback on the growth of these industries. Another plus lies ahead in the creation of the ASEAN Economic Community (AEC) in 2015. Thailand's geographic location at the center of ASEAN offers strategic benefits as a regional logistics and production hub for AEC, which would imply even greater demand for warehouses and factories.

Staggering 159% CAGR during 2011-2014. We expect WHA to post staggering core profit growth of 159% CAGR during 2011 to 2014 on the back of rapid portfolio expansion, lumpy gains from asset spin-off to its property fund and low base effect. The company is undertaking an IPO to fund an aggressive 83% portfolio expansion in 2012, which is solidly grounded with pre-lease contracts securing the occupancy of most of the new space. A larger portfolio will give WHA the ability to inject more assets into its listed property fund, WHAPF, thereby improving ROE to about 27% in 2013-2014 from 12.6% in 2012.

Fair value at Bt6.8-8.7bn or Bt13.4-17.2/share. We value WHA at Bt6.8-8.7bn or Bt13.4-17.2/share based on SOTP. We value its investment in WHAPF at Bt1.2bn or Bt2.4/share based on our mid-2013 price target for the property fund and its core business based on PB and DCF methodologies. We arrive at fair value of Bt6.8bn or Bt13.4/share using mid-2013 PB multiple of 2.5x (based on weighted-average PB of the industry) and Bt8.7bn or Bt17.2/share using mid-2013 DCF (based on risk-free rate of 4.5%, beta of 1.1x, equity risk premium of 6.5% and perpetual growth of 3%).

Forecasts and valuation

Year to 31 Dec	Unit	2010*	2011	2012F	2013F	2014F
Revenue	(Btmn)	43	221	2,180	2,704	4,185
Revenue growth	(% YoY)	182.9	413.7	886.9	24.0	54.8
Net profit	(Btmn)	78	406	238	818	960
Net profit growth	(% YoY)	n.a.	421.9	(41.3)	243.6	17.3
Net margin	(%)	180.7	183.6	10.9	30.3	22.9
EPS	(Bt)	0.5	1.1	0.5	1.6	1.9
BVPS	(Bt)	1.5	2.7	5.4	6.3	7.5
DPS	(x)	0.0	0.0	0.2	0.6	0.8
ROE	(%)	37.0	62.7	12.6	27.5	27.3
Net debt-to-equity	(x)	1.8	4.0	1.3	1.4	1.2

Source: SCBS Investment Research * Unconsolidated

Disclaimer

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Thailand's lead build-to-suit warehouse and factory developer

Established in 2003, WHA Corporation Plc (WHA) has become Thailand's leading developer of premium-grade, built-to-suit warehouses and factories. The company initially teamed up with strategic partners CWT (Singapore) and Glomac Berhad (Malaysia) and built up an outstanding track record.

Its first build-to-suit project was the high-profile 52.9K-sqm consumer logistics center, the largest of its kind in Southeast Asia at that time, for DKSH (Thailand). Since then, WHA has gained wide recognition as a professional, premium-grade warehouse and factory developer backed by a list of leading multinationals in a variety of industries.

Services

WHA's business stratagem is the development of world-class, built-to-suit warehouse and factory facilities in strategic locations to serve specific customer needs with a size of 10-70K sqm each. Adding to its portfolio of built-to-suit products, WHA has established "warehouse farms", which are a combination of built-to-suit (2-16K sqm) and ready-built (3-5K sqm) warehouses for walk-ins and for existing clients who need storage space immediately due to demand overflow.

WHA's focus is on client needs and it is well able to provide valuable advice to customers. It also has, over time, developed highly visible differences in construction that separate its high-quality facilities from the run-of-the-mill offerings by competitors:

- Raised floors. WHA's floors are built 1.3 meters above the project's main road, which is itself at least 0.3 meter higher than the outside roads. Because of this, WHA's warehouses were not damaged during last year's severe flooding.
- Warehouse floor. WHA uses high-strength concrete for its floors rather than the concrete floor hardener used by competitors. It also uses "burnished floor" technology for the floor surface, giving it high abrasive strength capacity and greater durability for heavy duty use as well as minimizing dust and cracks.
- Roof air gap. WHA uses micro fiber insulation installed beneath roofing to create an air gap that acts as another insulating layer to further reduce warehouse temperature. Competitors have no roof air gap. This means that temperatures are lower at WHA's warehouses, which both improves the working environment and reduces electricity cost.
- Greater height. WHA's floor-to-ceiling height is 12-13m for built-to-suit warehouses and 10m for ready-built warehouse versus peers' 10-12m or 6-8m. This gives clients more room to add racks if needed.
- Floor load. WHA provides loads of 4.5-5 tons/Sqm for built-to-suit and 3 tons/Sqm in the warehouse farms versus peers who provide 3-4 tons/Sqm built-to-suit or 2-3 tons/Sqm for warehouse farms. WHA's warehouses are thus more durable and can taken heavier loads.

Figure 1: WHA standard: Mirror surface floor

Source: WHA

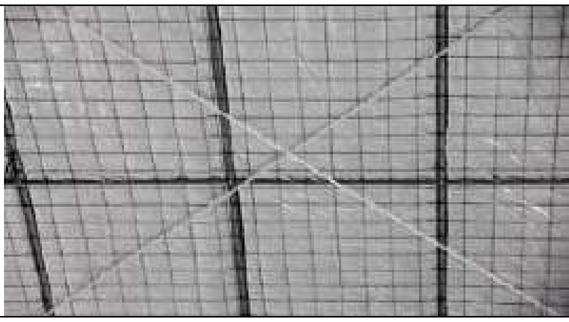
Figure 2: WHA standard: Asian concrete floor

Source: WHA

Figure 3: WHA standard: One continuous metal roof sheet

Source: WHA

Figure 4: WHA standard: Air gap roof insulation



Source: WHA

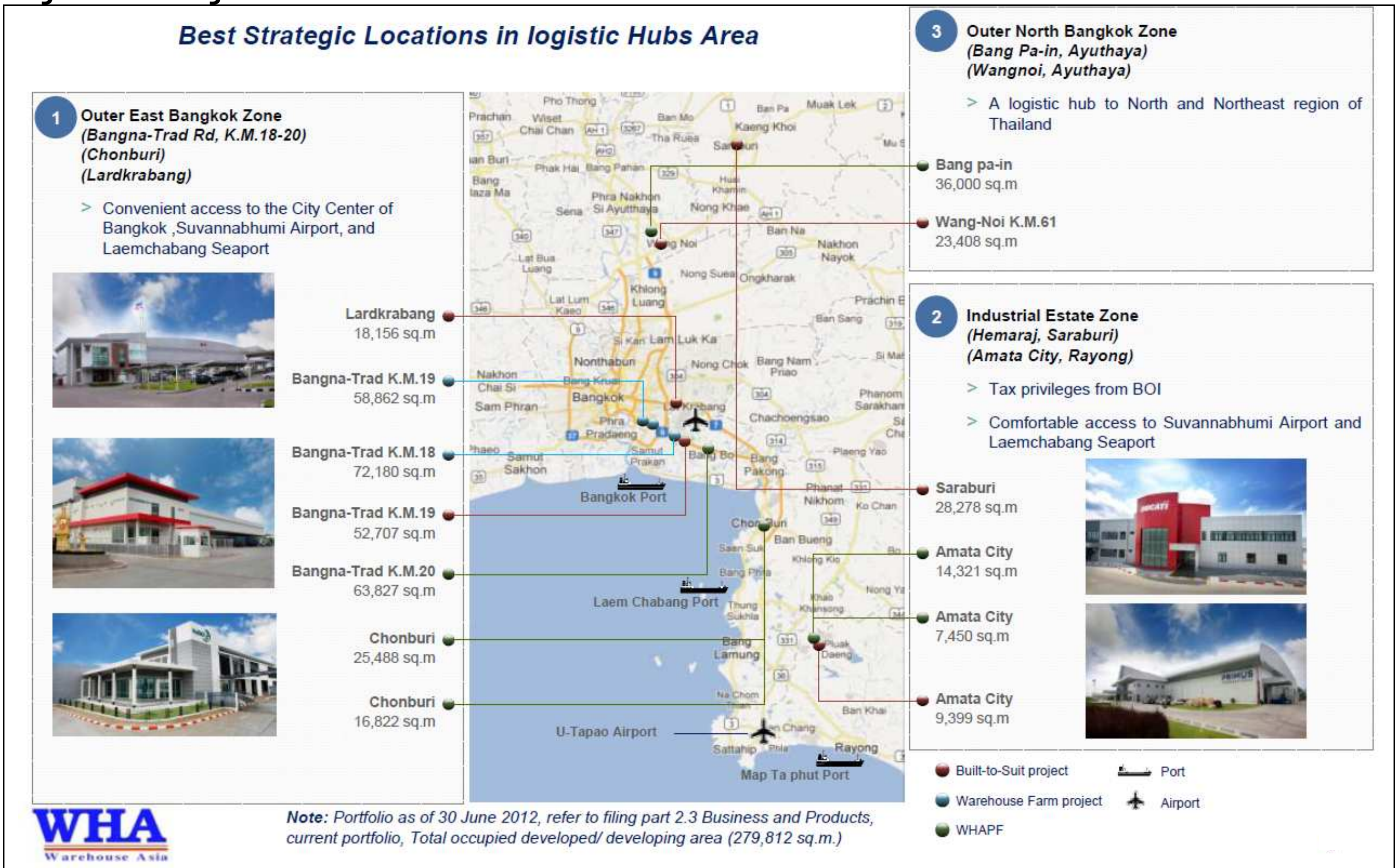
Figure 5: WHA standard: steel pipe structure

Source: WHA

Figure 6: WHA standard: Narrow and smooth expansion joint (helps minimize vehicle maintenance)

Source: WHA

Figure 7: Strategic Locations



Source: WHA

Customers

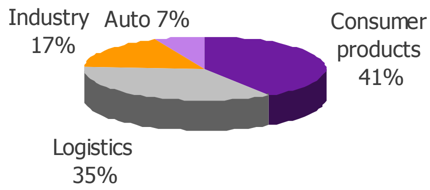
WHA's client list reads like a "who's who" of multinationals involved in consumer products, third party logistics providers, and manufacturers. The list includes:

Consumer products: DKSH (Thailand) (consumer/healthcare distribution centers), Kao (Thailand) (one of the country's largest consumer product companies), Johnson & Johnson, Unilever (Thailand), DSG International (Thailand), Berli Jucker, Chanel (Thailand), Central Retail Corporation.

Logistic service provider: Kuehne & Nagel, Kerry Logistics (Thailand), LF Logistics, Hitachi Transport System (Thailand), APL Logistics (Thailand).

Manufacturers: Mazda Sales (Thailand), Primus International Bangkok (aerospace composite/metallic manufacturing for Airbus and Rolls Royce), Ducati (Thailand) (a globally well-known big bike manufacturer), Dena (nanotechnology wood replacement factory).

Figure 8: Tenant profile by industry



Source: WHA

Figure 9: Tack record

Client name	Type of service	Size (Sqm)
Warehouse farm	Warehouse	72,180
DKSH consumer	Warehouse	52,913
DKSH Bang Pa-in	Warehouse	36,000
DSG	Warehouse	28,500
Kao	Warehouse	25,488
Hitachi	Warehouse	20,000
IDS	Warehouse	18,000
Primus	Factory	14,500
DKSH 3M	Warehouse	10,914
Dena	Warehouse	10,000
Ducati	Factory	7,450

Source: WHA

Figure 10: Primus (Amata City, Rayong)

Source: WHA

Figure 11: Ducati (Amata City, Rayong)

Source: WHA

Figure 12: Dena (Amata City, Rayong)

Source: WHA

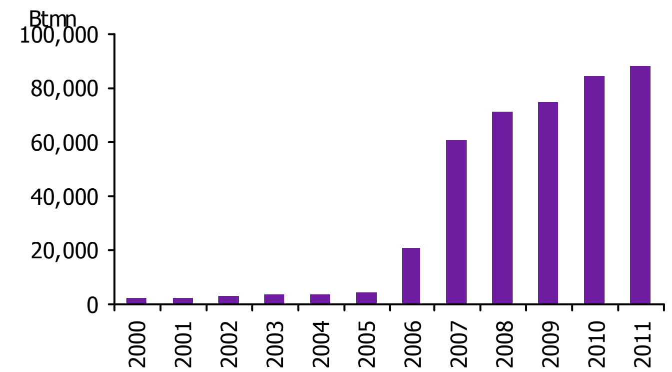
Figure 13: DKSH (Bangna-Trad K.M. 18, Samut Prakarn)

Source: WHA

The value of WHA's services has been proven in the assistance it provided DKSH (Thailand). It was able to suggest ways to help increase efficiency and reduce costs and yet reduce workers in the logistics department of DKSH's healthcare and consumer products. Within just seven years DKSH has nearly tripled its warehouse rental space to more than 132K sqm from the original 52.9K sqm. The story for Kao and LF Logistics is similar and their consistent growth has led them to now rent three warehouses: more than 42.3K sqm for Kao and over 100K sqm for LF Logistics - nearly tripling in just two years.

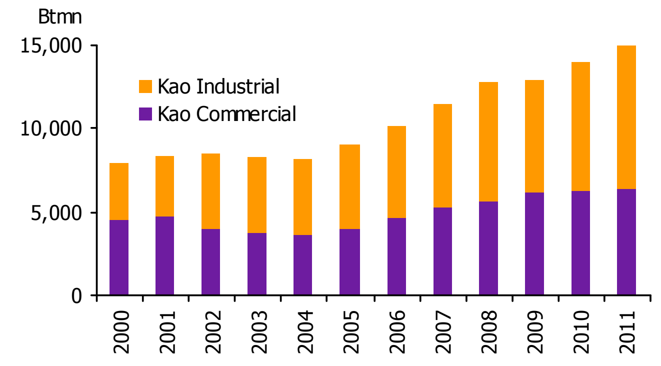
Clients tend to favor renting warehouses and factories rather than building their own facilities as this lowers CAPEX requirements and thus helps keep return on equity (ROE) and return on assets (ROA) satisfactory.

Figure 14: DKSH (Thailand) sales



Source: BOL

Figure 15: Kao (Thailand) sales

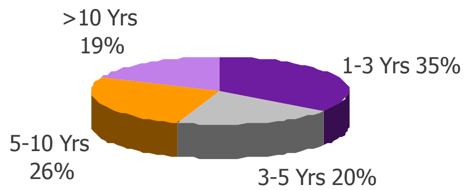


Source: BOL

Portfolio profile

WHA has developed 426.9K sqm of warehouse and factory space to date, of which 279.8K sqm is in its own portfolio and another 147.1K sqm sold to WHA Premium Factory & Warehouse Freehold and Leasehold Property Fund (WHAPF). Most of WHA's clients require build-to-suit space and will generally enter into contracts that are of longer term than the industry standard of three years – in fact more than 65% of its clients hold contracts for over three years. This allowed WHA to achieve 100% occupancy during 2006-2Q12. Though contracts are long-term, rent is generally raised ~10% every three years throughout the contract life and there is no cap on the renewal rate. If clients terminate the contract before expiry, which we view as unlikely, the company can rent out to new tenants with probably only minor adjustments.

Figure 16: Contract length profile



Source: WHA

Flexible business model

Unlike many other developers, WHA is willing to build warehouses and factories not only on freehold land, but also on leased land – at the discretion of the client. Because investment into leased assets is lower, it has in this way been able to expand more rapidly yet with a lower burden on its balance sheet. Leasehold assets comprise ~15% of the combined portfolio of WHA and WHAPF at present.

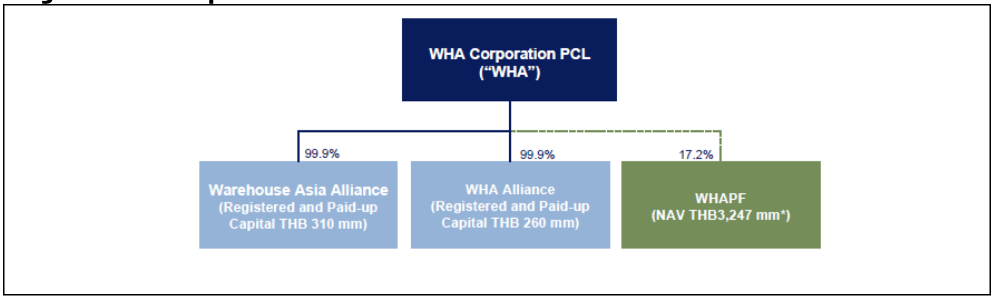
WHA is in addition willing to enter sale-and-leaseback agreement – the first such project is DKSH Bang Pa-in. This provides the company an opportunity to acquire good assets in good locations. At present, it has two more such deals under negotiation.

Group structure

WHA was originally established in 2003 by Dr. Somyos Anantaprayoon and its foreign partner - CWT (Singapore), a worldwide logistics provider for WHA Alliance Co. In 2006, it took on another foreign partner - Glomac Berhad of Malaysia, a residential and commercial property developer for Warehouse Asia Alliance Co. In 2011, WHA bought shares back from CWT (Singapore) and Glomac Berhad since these partners have no interest in expanding in Thailand, leaving WHA as major shareholder of WHA Alliance Co. and Warehouse Asia Alliance Co.

In 2010, it set up WHAPF and became a sponsor of the fund. It now holds 17.2% in WHAPF, whose current market cap is ~Bt3.4bn.

Figure 17: Group structure

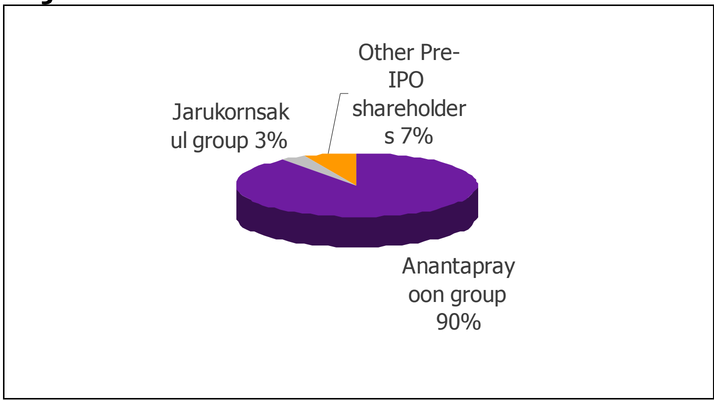


Source: WHA
* As of June 2012

Shareholder structure

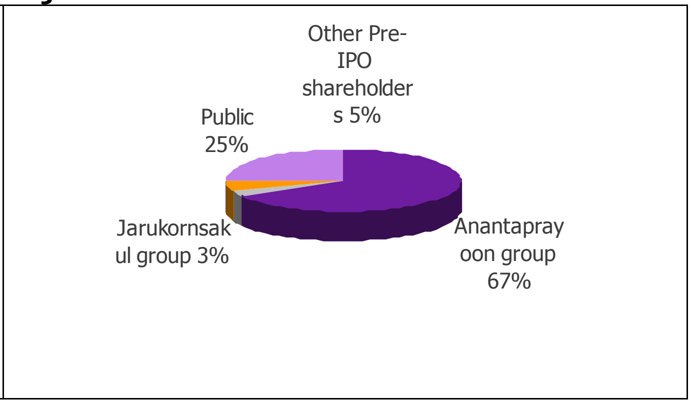
WHA plans to raise capital via an IPO of 129.4mn newly-issued ordinary shares (25.4% free float) at par of Bt1/share. It will use the proceeds to further develop its business and as working capital. Post-IPO, WHA's paid-up capital will rise to Bt510mn from Bt380.6mn now. Below is WHA's shareholder structure before and after the IPO.

Figure 18: Pre-IPO shareholder structure



Source: WHA

Figure 19: Post-IPO shareholder structure



Source: WHA

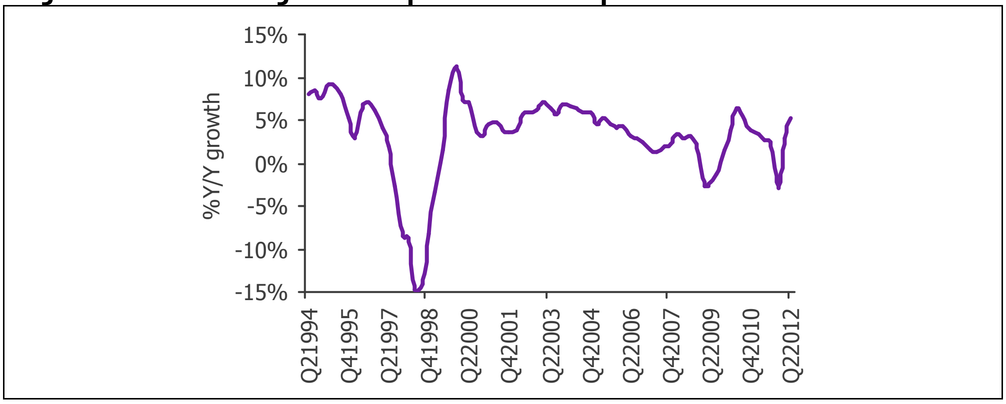
Solid demand outlook for warehouse and factory space

Thailand's robust demand for warehouse and factory space is being fuelled by strong domestic demand for consumer products. Down the road, demand will also be amplified by the birth of AEC which will heighten the need for logistics services.

Positive domestic consumption link

The outlook for demand for warehouse and factory space in Thailand is supported by rapidly growing consumption. According to the NESDB, the country's private consumption grew at a sustainable rate of 3% during 1993-2011, driven by increased urbanization and fast-growing modern trade marketing, both of which require more efficient distribution centers spread throughout the country that has led to warehouse expansion and upgrading. We can now add to the mix the coming of AEC in 2015 that has the potential for raising demand for warehousing and logistics centers even more.

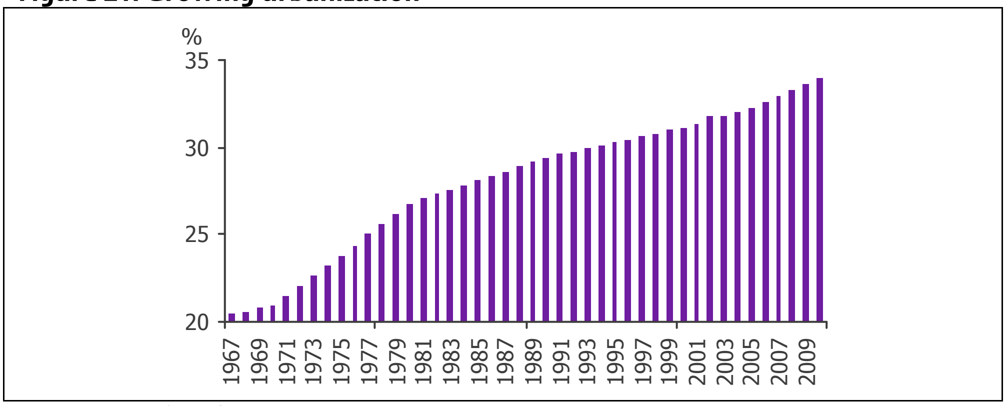
Figure 20: Favorable growth of private consumption



Source: NESDB

Growing urbanization. Thailand's population is becoming more urbanized as people migrate to the cities. According to the World Bank, Thailand's urban population increased to 34% of the total population in 2010 from only 20% in 1967, and this is forecast to continue growing at a CAGR of 1.8% through 2015. Urbanization is now being seen in major provinces including Chonburi, Rayong, Nakorn Ratchasima, Chiang Mai, Songkhla, Nakorn Sri Thammarat and Surat Thani, among others. This will tend to raise domestic consumption as those residing in urban areas generally have a higher income and spend more than non-urban residents.

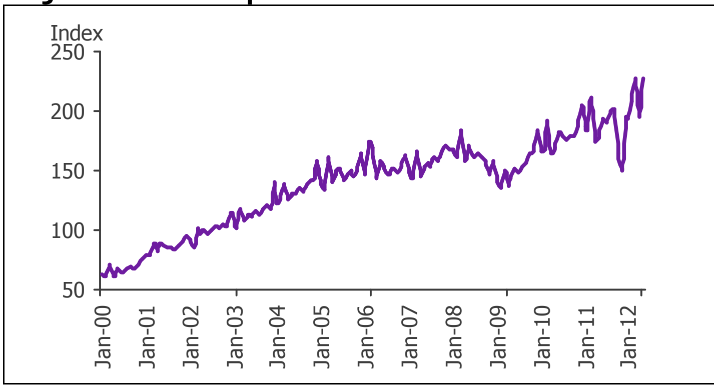
Figure 21: Growing urbanization



Source: CEIC, World Bank

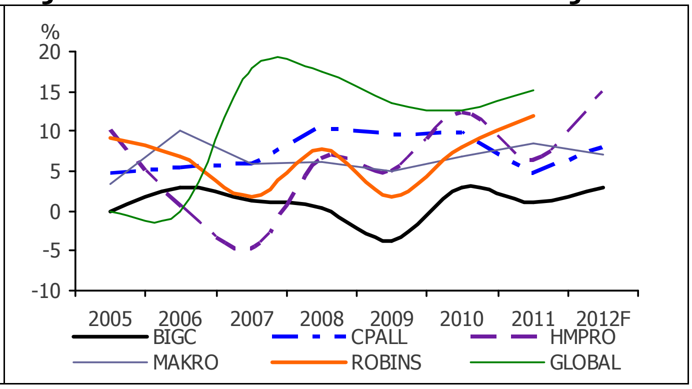
Fast growing modern trade marketing. Greater urbanization generally means higher consumption of consumer products and thus the need for retailers to have warehouses and distribution/logistics centers spread widely throughout the nation in order to efficiently serve this fast growing demand. The graphs below confirm that Thailand's retail sales are growing well and tagging urbanization. Same-store sales (SSS) growth of modern trade marketing as a whole is rising at a good rate and, in our view this is likely to continue, supporting the robust outlook for distribution/logistics center demand. With Thailand's logistics cost relatively high at 14.5% in 2011 versus only 13% for Malaysia and 8% for Singapore, we see large room for improvement and modern distribution centers can help.

Figure 22: Non-stop rise in retail sales index



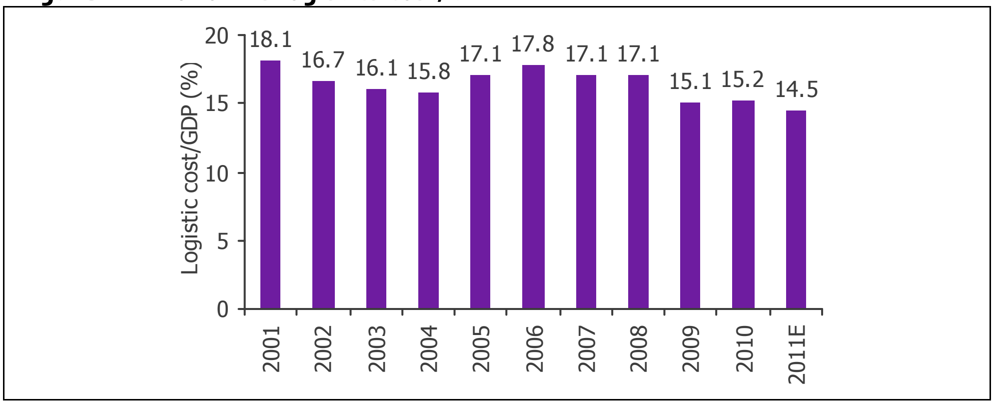
Source: BoT

Figure 23: Favorable retail same-store sales growth



Source: Companies

Figure 24: Thailand's logistics cost/GDP



Source: NESDB

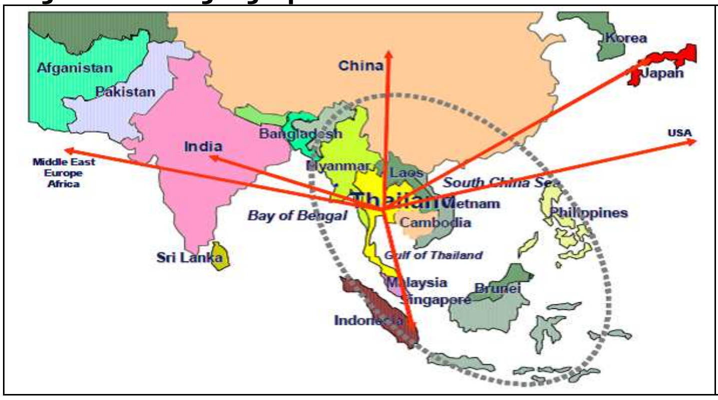
Growing demand from AEC

AEC will integrate the region economically, transforming ASEAN into a region with free movement of goods, services, investment, skilled labor and freer flow of capital. All import duties between the ten member countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) will be eliminated and logistics is one of the sectors heading the list of those to be opened up in 2015.

Thailand is positioned to serve as the logistics hub for ASEAN as it has the advantage of an excellent geographical location in the middle of ASEAN. It is contiguous with Laos, Cambodia, Malaysia and Myanmar, and provides easy access to several major ports in the vicinity including Japan, China, and India. In preparation for Thailand's role as a regional logistics hub, the Thai government has taken initiatives to improve the country's road and rail infrastructure network to match global standards and has been developing the ability and capacity of the country's logistics service providers through financial support and training manpower to gain expertise.

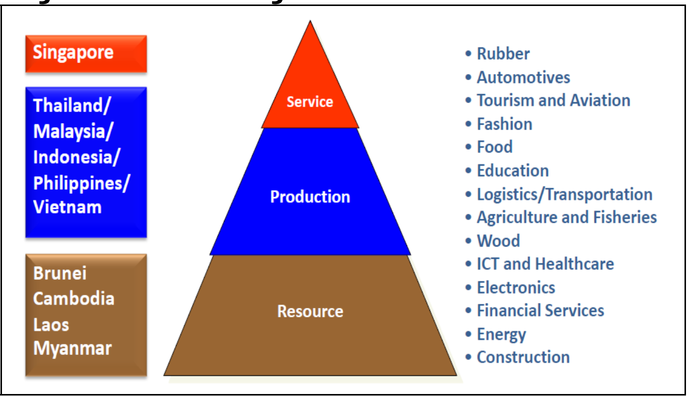
Apart from the opportunity to be the region's logistics hub, Thailand is a production hub, especially for autos and food. International logistics companies may choose to make Thailand their regional operations hub as a gateway to entering the attractive 600mn-strong ASEAN market. Support is also provided by Thailand's competitive corporate tax rate and availability of quality skilled labor. Many major foreign companies such as General Motors, Toyota, Electrolux (refrigerators), Samsung Engineering, Toshiba (hard disk drives and LED), Mitsubishi, Hitachi (elevators), and Nissan have already made Thailand their regional manufacturing hub, while Kubota , Volvo and Chery Automobile are considering doing so. Following the country's booming industrial activities, we look for strong demand for logistic centers to provide efficient distribution.

Figure 25: AEC geographical area



Source: BBLAM

Figure 26: Positioning of AEC countries



Source: Dr. Suvit Maesincee, SASIN

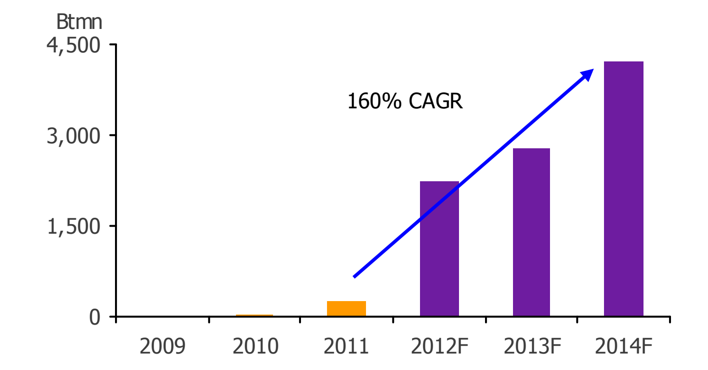
Accelerated earnings growth during 2011-2014

Revenue drivers

WHA derives its revenue from three major channels: warehouse and factory rentals, sale of assets and property management fees & dividend income.

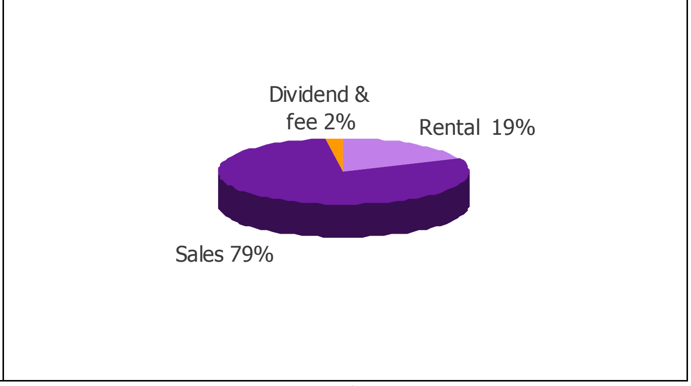
We estimate that WHA's total revenue will grow at a 160% CAGR to Bt4.3bn in 2014 from Bt240mn in 2011. Based on average revenue during 2012-2014, 79% of total revenue will come from the sale of assets, 19% from rents and 2% from property management fees & dividends.

Figure 27: Growing revenue



Source: WHA, SCBS Investment Research

Figure 28: Revenue breakdown



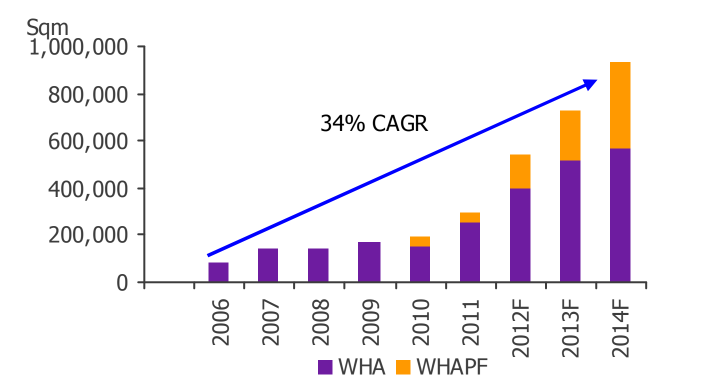
Source: WHA, SCBS Investment Research

a) **Warehouse and factory rentals.** WHA's portfolio has grown at a rate of 27% CAGR to 298.1K sqm in 2011 from 88.9K sqm in 2006. Based on its expansion plan, its portfolio will grow at faster pace of 83% to 545.9K sqm in 2012, 34% to 730.6K sqm in 2013 and 27% to 930.6K Sqm in 2014. We expect occupancy to reach 100% in 2012, as pre-leases take up the entire amount of rental space this year and 82% for 2013.

Beyond 2013, WHA plans to build 250K-300K sqm a year, divided into 70% built-to-suit and 30% as warehouse farms. This is partly secured by agreements with Primus and Ducati to develop new expansion phases in the next few years. We expect WHA's portfolio to grow at accelerated rate in the next few years.

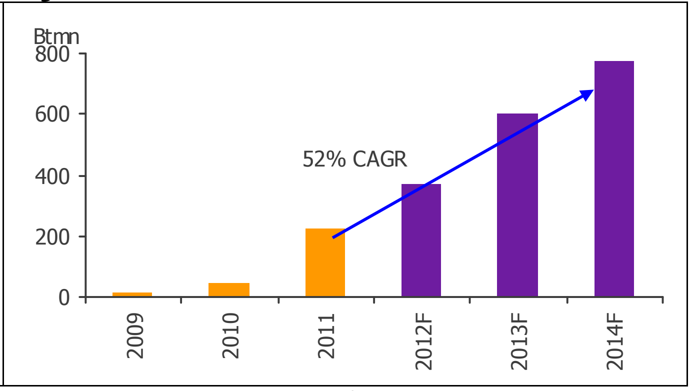
We estimate WHA's rental revenue will grow at a 46% CAGR to Bt692mn in 2014 from Bt221mn in 2011.

Figure 29: Growing portfolio



Source: WHA, SCBS Investment Research

Figure 30: ... and rental income



Source: WHA, SCBS Investment Research

Figure 31: Projects developed and under development

Type	Status	Location	Leasable Area (Sqm)	Expected completion
Warehouse Farm	Developing and occupied	Bangna - Trad K.M. 19	58,862	3Q12
Built-to-suit	Developing and occupied	Hemaraj IE, Saraburi	28,278	3Q12
Built-to-suit	Developing and occupied	Chonburi	16,822	3Q12
Warehouse Farm	Developing and occupied	Wangnoi	23,408	1Q13
Warehouse Farm	Developing and occupied	Bangna - Trad K.M. 19	14,000	1Q13
Total			**141,370**	

Source: WHA

Figure 32: Land held for future development

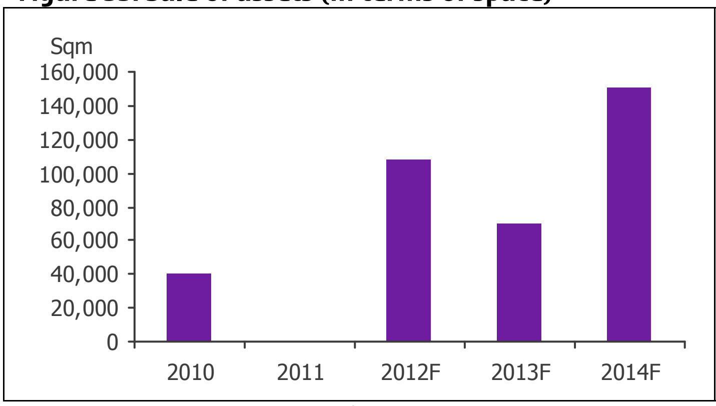
Type	Status	Location	Leasable Area (Sqm)	Expected completion
Built-to-suit	Land held and occupied	Lardkrabang	17,200	2Q13
Built-to-suit	Land held and occupied	Chonburi	35,000	2Q13
Warehouse Farm	Land held and unoccupied	Bangna - Trad K.M. 23	55,000	2Q13
Warehouse Farm	Land held and unoccupied	Wangnoi	40,000	3Q13
Built-to-suit	Land held and occupied	Hemaraj IE, Saraburi	26,800	2Q14
Total			**174,000**	

Source: WHA

b) **Sale of assets to WHAPF**. WHA injected Bt1.2bn (39.8K sqm) worth of warehouses and factories into WHAPF in 2010, and another Bt1.8bn (147.1K sqm) in 1Q12. It plans to sell 150K-200K sqm of warehouse and factory space every year. On August 15, 2012, unit holders of WHAPF approved Bt2.1bn to purchase two warehouses (69.5K sqm) from WHA; the transaction is expected to take place in January 2013. We estimate sale of assets will jump 62% in 2014.

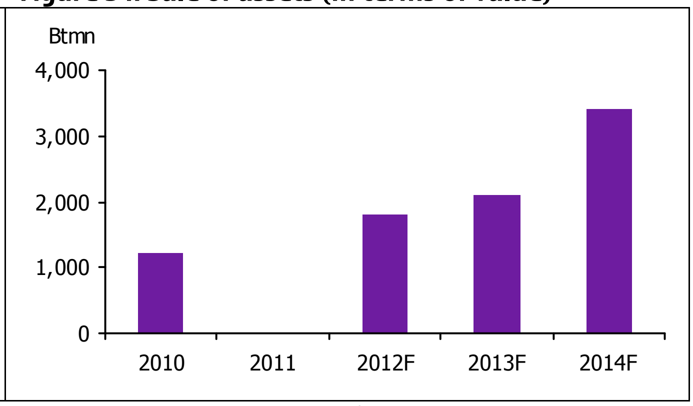
WHAPF is a property fund for public offering (PFPO) which is listed on the Stock Exchange of Thailand (SET). It is similar to CPNRF, TFUND and TLOGIS in that it can recapitalize and the sponsor can inject more assets into the funds.

Figure 33: Sale of assets (in terms of space)



Source: WHA, SCBS Investment Research

Figure 34: Sale of assets (in terms of value)

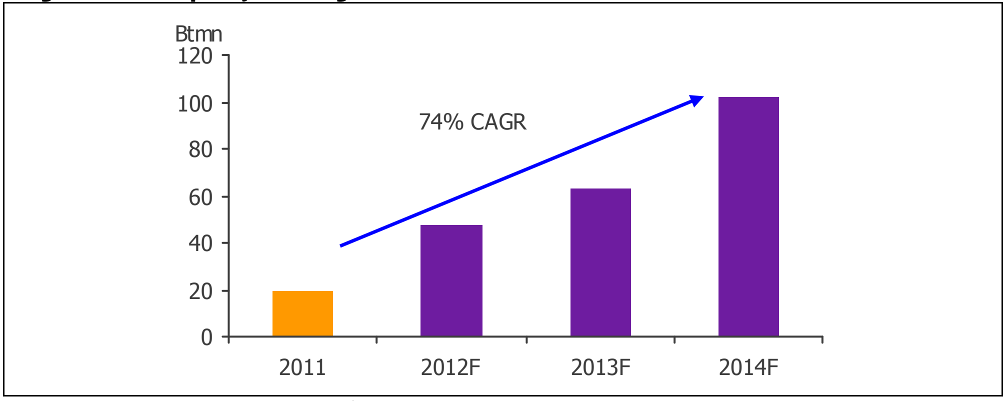


Source: WHA, SCBS Investment Research

c) **Property management fees and dividend income**. As a property manager and a sponsor of WHAPF, WHA receives management fees and dividends from the fund. Though revenue contribution was insignificant at ~Bt19mn in 2011, it will increase in line with WHAPF's expanded portfolio.

We estimate the revenue from property management and dividend income will grow at a 74% CAGR during 2011-2014 to Bt103mn from Bt19mn.

Figure 35: Property management fee and dividend income



Source: WHA, SCBS Investment Research

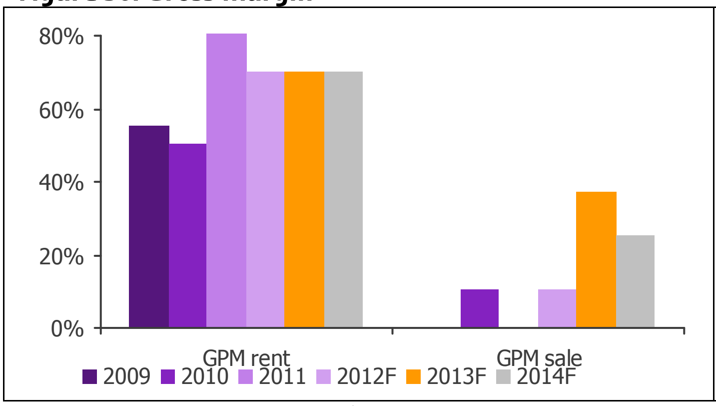
Gross profit and gross margin

WHA's gross margin for rentals and services improved to 80.4% in 2011 from 50.3-55.5% in 2009-2010 as a result of asset reclassification. We estimate rental gross margin at 70% for 2012-2014, an increase from 63.8% in 1H12 as the company will reclassify the two warehouses (Kao 3 and DKSH healthcare) to be sold to WHAPF early next year as property for sale rather than as investment property, as they are now classified. This means it will stop booking depreciation on those assets from July 2012. We look for sustainable gross margin at 70% for 2013-2014 as we anticipate asset reclassification to continue in line with planned injection of new assets into the fund every year.

We note that WHA's gross margin on the sale of assets was abnormally low at 10.5% in 2010 as the properties injected into the fund were only recently completed and thus had not had time to appreciate. The fund still gave competitive yield of about 7% to unit holders to make the fund attractive. We estimate gross margin will jump to 37% upon the sale of Bt2.1bn assets in 2013 since these properties were built several years ago and thus have had time to appreciate. The yield offering is expected to drop to 6.5% based on WHAPF's current unit price of Bt11. Again in 2014 gross margin will fall to 25% upon newer assets sold.

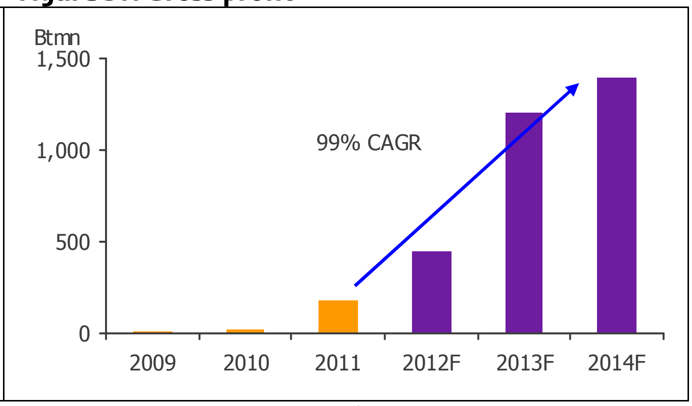
We estimate WHA's gross profit to grow at 99% CAGR to Bt1.4bn in 2014 from Bt178mn in 2011.

Figure 36: Gross margin



Source: WHA, SCBS Investment Research

Figure 37: Gross profit



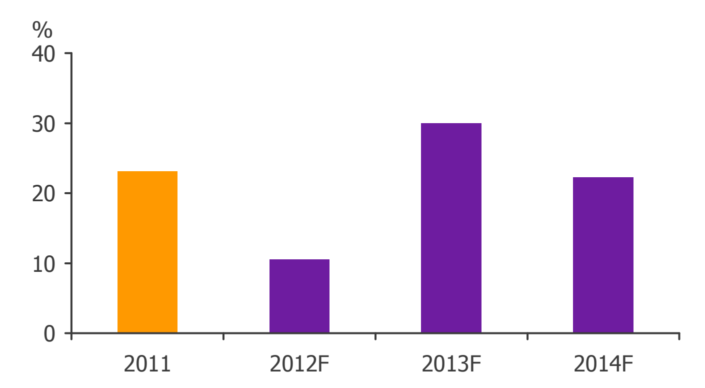
Source: WHA, SCBS Investment Research

Core profit and core margin

WHA's core margin was a very high 179% in 2010 as the company booked an extraordinary gain from sale of assets (not operations); this fell to 23.1% in 2011. During 2012-2014, we look for core margin to fluctuate from 10.7% in 2012 to 29.9% in 2013 and 22.3% in 2014 in tandem with the margin on sale of property estimated at 10.6%, 37% and 25% respectively. This is due to the appreciation of the assets – tied to the age of the properties injected into WHAPF.

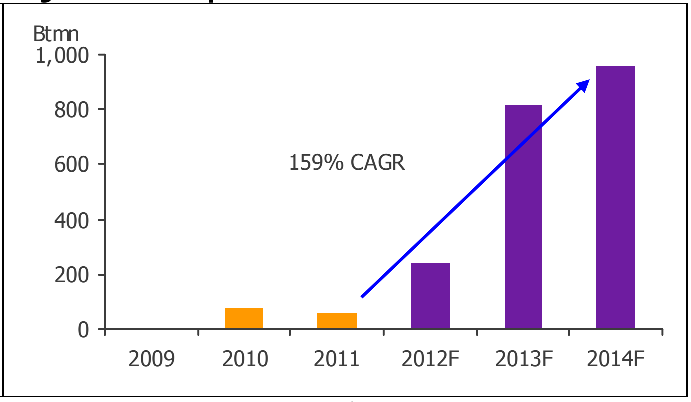
We estimate WHA's core profit to grow at 159% CAGR to Bt960mn in 2014 from Bt55mn in 2011.

Figure 38: Core profit margin



Source: WHA, SCBS Investment Research

Figure 39: Core profit



Source: WHA, SCBS Investment Research

Figure 40: Profit & loss statement

FY December 31	Unit	2010	2011	2012F	2013F	2014F	1Q12	2Q12
Total revenue	(Btmn)	43	221	2,180	2,704	4,185	1,894	72
Cost of goods sold	(Btmn)	-21	-43	-1,728	-1,504	-2,789	-1,642	-33
Gross profit	**(Btmn)**	**22**	**178**	**452**	**1,199**	**1,396**	**253**	**40**
SG&A	(Btmn)	-18	-31	-70	-91	-122	-20	-12
Other income	(Btmn)	127	19	47	63	103	6	13
Interest expense	(Btmn)	-18	-86	-134	-164	-202	-36	-29
Pre-tax profit	**(Btmn)**	**112**	**80**	**295**	**1,007**	**1,174**	**203**	**12**
Corporate tax	(Btmn)	-34	-3	-57	-189	-214	-39	-3
Equity a/c profits	(Btmn)	0	0	0	0	0	0	0
Minority interests	(Btmn)	0	-22	0	0	0	0	0
Core profit	**(Btmn)**	**78**	**55**	**238**	**818**	**960**	**164**	**9**
Extra-ordinary items	(Btmn)	0	350	0	0	0	0	0
Net Profit	**(Btmn)**	**78**	**406**	**238**	**818**	**960**	**164**	**9**
EBITDA	(Btmn)	150	539	496	1,284	1,533	239	67
Core EPS	**(Bt/Shr)**	**0.46**	**0.15**	**0.47**	**1.60**	**1.88**	**0.43**	**0.02**
Net EPS	(Bt/Shr)	0.46	1.07	0.47	1.60	1.88	0.43	0.02
DPS	(Bt/Shr)	0.0	0.0	0.2	0.6	0.8	0.0	0.0

Source: WHA, SCBS Investment Research

Figure 41: Balance sheet

FY December 31	Unit	2010	2011	2012F	2013F	2014F	1Q12	2Q12
Total current assets	(Btmn)	54	1,612	2,088	2,642	2,887	281	317
Total fixed assets	(Btmn)	689	3,576	4,823	5,080	5,465	4,337	5,039
Total assets	**(Btmn)**	**743**	**5,188**	**6,911**	**7,722**	**8,352**	**4,618**	**5,356**
Total loans	(Btmn)	279	1,336	2,205	1,705	1,205	1,768	2,205
Total current liabilities	(Btmn)	135	2,446	1,605	2,425	2,979	1,379	1,614
Total long-term liabilities	(Btmn)	353	1,702	2,571	2,071	1,571	2,015	2,487
Total liabilities	**(Btmn)**	**489**	**4,148**	**4,176**	**4,496**	**4,550**	**3,394**	**4,101**
Paid-up capital	(Btmn)	170	381	510	510	510	381	381
Total equity	**(Btmn)**	**254**	**1,040**	**2,735**	**3,226**	**3,802**	**1,224**	**1,255**
BVPS (Bt)	**(Bt/Shr)**	**1.5**	**2.7**	**5.4**	**6.3**	**7.5**	**3.2**	**3.3**

Source: WHA, SCBS Investment Research

Fair value at Bt6.8-8.7bn or Bt13.4-17.2/share

Using sum-of-the-parts (SOTP) valuation, we arrive at a fair value of Bt6.8-8.7bn or Bt13.4-17.2/share for WHA for mid-2013 valuation. We value its investment in WHAPF at our price target, then add this to the value of its core business by using price-to-book (PB) and discount cash flow (DCF) methodologies. The details of each valuation approach are provided below.

Investment in WHAPF worth Bt1.2bn or Bt2.4/share

We calculate WHA's 17.2% stake in WHAPF at Bt1.2bn or Bt2.4/share (including recapitalization next year) based on our price target for WHAPF at Bt14/unit.

Price-to-book valuation

We set a fair PB multiple for WHA based on the weighted average PB multiple of stocks in the industrial estate sector, except ROJNA since this stock is covered by few brokers. Based on consensus estimates complied by Bloomberg, the weighted average sector 2012 PB multiple is 2.5x. Applying this to our average 2012-2013 forecast gives a fair value of Bt5.6bn or Bt11.1/share for its core business. Adding in its investments gives a SOTP valuation of Bt6.8bn or Bt13.4/share.

Figure 42: IE 2012 PB valuation

Company	Ticker	Price* (Bt)	Mkt Cap (Btmn)	PBV (x) 2011A	2012F	2013F
Amata Corp	AMATA TB	17.20	18,352	3.0	2.5	2.1
Hemaraj Land	HEMRAJ TB	3.00	28,921	3.3	2.8	2.3
Ticon Industrial**	TICON TB	12.90	10,075	1.8	1.8	1.7
Simple average				**2.9**	**2.5**	**2.2**
Sum-of-the-parts		**(Bt mn)**	**(Bt/share)**			
Value of WHA core business		5,642	11.1			
Value of stake in WHAPF		1,200	2.4			
Total		**6,841**	**13.4**			

Source: Bloomberg, SCBS Investment Research
* As of August 27, 2012 ** Fully diluted

Discount cash flow valuation

We calculate net present value (NPV) of cash flow from its core business and add this to its investment in WHAPF. Our weighted average cost of capital (WACC) assumption is 7.6% based on our cost of debt forecast of 6%, while our cost of equity (COE) and perpetual growth assumptions are based on: 1) risk free rate (RFR) of 4.5%, 2) beta of 1.1x, 3) equity risk premium (ERP) of 6.5% and 4) perpetual growth of 3%. We benchmarked our RFR assumption to the historic long-term bond yield; beta assumption is based on historical 3-year average beta of AMATA, HEMRAJ and TICON, ERP assumption based on historical SET return minus RFR and terminal growth based on Thailand's long-term inflation.

We arrive at a fair value of Bt8.7bn or Bt17.2/share.

Figure 43: SOTP valuation (using DCF for core business)

(Btmn)	Unit	2013F	2014F	2015F	2016F	2017F
FCF calculation						
EBIT	(Btmn)	550	694	782	877	970
Less: Adjusted tax	(Btmn)	(201)	(235)	(262)	(295)	(330)
Less: Dividend from WHAPF	(Btmn)	(63)	(103)	(145)	(198)	(254)
Add: Depreciation	(Btmn)	112	157	206	261	320
Less: Working capital requirement	(Btmn)	41	1	(1)	(8)	(13)
Less: CAPEX	(Btmn)	(2,671)	(2,885)	(3,165)	(3,473)	(3,812)
Add: Asset disposal	(Btmn)	1,514	3,125	3,438	3,807	4,188
Free cash flow (FCF)	**(Btmn)**	**(718)**	**756**	**852**	**972**	**1,070**
DCF calculation						
PV of forecasted FCF	(Btmn)	2,139	2,917			
Perpetual value	(Btmn)	8,226	8,270			
Core enterprise value	**(Btmn)**	**10,365**	**11,187**			
Less: Net debt	(Btmn)	(3,180)	(3,233)			
Core equity value	**(Btmn)**	**7,185**	**7,954**			
SOTP calculation						
Core business	(Btmn)	7,185	7,954			
Value of stake in WHAPF	(Btmn)	1,200	1,200			
Total equity value	**(Btmn)**	**8,385**	**9,154**			
Mid-2013 equity value	**(Btmn)**		**8,769**			
Mid-2013 equity value/share	**(Bt/Shr)**		**17.2**			

Source: SCBS Investment Research