

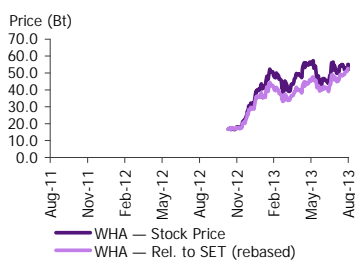
BUY

Stock data

Last close (Aug 30) (Bt)	54.75
12-m target price (Bt)	67.00
Upside (Downside) to TP (%)	22.37
Mkt cap (Btbn)	33.51
Mkt cap (US\$mn)	1,044

Bloomberg code	WHA.TB
Reuters code	WHA.BK
Risk rating	L
Mkt cap (%) SET	0.30
Sector % SET	7.01
Shares issued (mn)	612
Par value (Bt)	1
12-m high / low (Bt)	n.a.
Avg. daily 6m (US\$mn)	n.a.
Foreign limit / actual (%)	n.a.
Free float (%)	25.4
Dividend policy (%)	≥ 40

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	9.0	-2.7	--
Relative to SET	19.8	17.5	--

Source: SET, SCBS Investment Research

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Spreading its roots broadly

- 1H13 preleases exceed early target, since raised to 500K sqm: achievable
- Expansion to strategic locations in north, northeast and south
- Prime beneficiary of AEC – Myanmar to be first entry point
- Upside risk from rooftop solar photovoltaic project
- PT raised to Bt67/share (pre stock dividend) or Bt45/share (post XD) on earnings upgrade, lower cost of debt and roll-over to mid 2014

Unrivalled growth outlook. WHA has a very good growth outlook, backed by exceeding its initial 2013 pre-lease target of 300K sqm to get pre-lease contracts of 320K sqm in 1H13. It has raised its pre-lease target to 500K sqm for 2013, substantially higher than our previous forecast of ~200K sqm, and has a goal of 300K sqm in 2014. Now in talks with several clients, WHA is poised to reach its target. We have tripled our estimate of property sales to Bt6.4bn for 2013 and raise 2014 estimate by 67% to Bt5.7bn, which we believe it can meet given its large portfolio. We see no risk of recapitalization in the near term.

Expansion. WHA has acquired land in Lumpoon, Khon Kaen, and Surat Thani, strategic locations for distribution in the north, northeast and south of Thailand, respectively. Then, the setup of the ASEAN Economic Community (AEC) in 2015 will strengthen demand for warehouse space. In anticipation, WHA is entering Myanmar with its warehouse business, where it is also taking out long-term contracts, limiting risk.

Rooftop solar photovoltaic project = upside risk. WHA will take stake in a rooftop solar photovoltaic project JV, expecting to win a 25-year power purchase agreement (PPA) for 30MW. With 75% in the JV, we estimate WHA will have profit of ~Bt75mn p.a. or 4.7% of our 2014 profit forecast; DCF at Bt1.2bn or Bt1.3/share post XD. If the company sells 15MW to an infrastructure fund, we estimate a rise in net profit to ~Bt355mn in 2014 or 22% of 2014 forecast; DCF to Bt1.5bn or Bt1.6/share post XD. We did not include this in our current forecast, preferring to leave it as an upside risk.

Earnings and PT upgrade. We raise our earnings forecast by 66.7% to Bt1.4bn for 2013 and 79.9% to Bt1.7bn for 2014 to incorporate the higher-than-expected revenue recognition driven by larger than expected portfolio expansion and property sales. This raises PT to Bt67/share (pre stock dividend) or Bt45/share (post 2:1 stock dividend, XD September 2) reflecting the raise in earnings, lower cost of debt, and roll-over to mid-2014. Risks are construction delay, sluggish property sales and economic slowing.

Reiterate BUY. We like WHA for its outstanding outlook driven by rapid portfolio expansion and higher property sales, good future demand for warehouses and upside from the rooftop solar photovoltaic project. At last close, WHA was trading at a premium at 17-24.6x PER and 5-7.4x PBV of 2013-2015F, but, in our view, this is justified by its outstanding earnings growth outlook with 3-year CAGR of 109.9% for 2012-2015, and solid ROE of 34.4-36.8% and ROA of 13.5-13.9% for 2013-2014. We reiterate BUY.

Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Revenue	(Btmn)	221	2,169	7,072	6,247	6,739
EBITDA	(Btmn)	539	500	2,055	2,557	3,010
Core Profit	(Btmn)	55	213	1,388	1,620	1,812
Reported Profit	(Btmn)	406	213	1,388	1,620	1,812
EPS	(Bt)	1.1	0.4	1.5	1.8	2.0
DPS	(Bt)	0.0	0.0	0.2	0.7	0.8
P/E	(x)	51.4	130.9	36.2	31.0	27.7
EPS growth	(%)	631.9	(60.7)	261.6	16.7	11.9
P/BV	(x)	20.0	9.7	11.1	9.1	7.6
ROE	(%)	62.7	10.9	37.4	32.2	29.9
Dividend yield	(%)	0.0	0.0	0.4	1.3	1.4
EV/EBITDA	(x)	46.3	64.4	26.6	21.8	18.8

Source: SCBS Investment Research

Profit and Loss Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total revenue	221	2,169	7,070	6,812	7,543
Cost of goods sold	(43)	(1,743)	(5,172)	(4,344)	(4,677)
Gross profit	178	426	1,898	2,468	2,866
SG&A	(31)	(68)	(91)	(124)	(161)
Other income	19	45	62	114	175
Interest expense	(86)	(149)	(179)	(328)	(458)
Pre-tax profit	80	253	1,689	2,130	2,422
Corporate tax	(3)	(40)	(326)	(403)	(449)
Equity a/c profits	-	-	-	-	-
Minority interests	(22)	-	-	-	-
Core profit	55	213	1,364	1,727	1,973
Extra-ordinary items	350	-	-	-	-
Net Profit	406	213	1,364	1,727	1,973
EBITDA	539	500	2,085	2,839	3,408
Core EPS	0.15	0.42	1.49	1.88	2.15
Net EPS	1.07	0.42	1.49	1.88	2.15
DPS	-	0.02	0.24	0.75	0.86

Profit and Loss Statement (Btmn)

FY December 31	2Q12	3Q12	4Q12	1Q13	2Q13
Total revenue	72	84	118	2,143	107
Cost of goods sold	(33)	(27)	(41)	(1,962)	(34)
Gross profit	40	56	77	180	72
SG&A	(12)	(14)	(23)	(21)	(31)
Other income	13	12	14	22	19
Interest expense	(29)	(36)	(48)	(37)	(36)
Pre-tax profit	12	18	20	145	25
Corporate tax	(3)	(3)	5	(23)	(3)
Equity a/c profits	-	-	-	-	-
Minority interests	-	-	-	-	-
Core profit	9	15	25	122	22
Extra-ordinary items	-	-	-	26	(57)
Net Profit	9	15	25	148	(35)
EBITDA	67	75	98	213	111
Core EPS (Bt)	0.02	0.04	0.05	0.24	0.04
Net EPS (Bt)	0.02	0.04	0.05	0.29	(0.06)
DPS (Bt)	-	-	0.02	-	0.05

Balance Sheet (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Total current assets	1,612	3,431	5,320	5,647	6,302
Total fixed assets	3,576	4,867	5,974	8,720	10,575
Total assets	5,188	8,298	11,294	14,367	16,878
Total loans	1,336	2,604	1,705	1,205	705
Total current liabilities	2,446	2,386	4,646	7,182	9,009
Total long-term liabilities	1,702	3,025	2,126	1,626	1,126
Total liabilities	4,148	5,410	6,772	8,808	10,135
Paid-up capital	381	510	918	918	918
Total equity	1,040	2,887	4,522	5,559	6,742
BVPS (Bt)	2.7	5.7	4.9	6.1	7.3

Balance Sheet (Btmn)

FY December 31	2Q12	3Q12	4Q12	1Q13	2Q13
Total current assets	317	1,487	3,431	2,177	1,851
Total fixed assets	5,039	4,784	4,867	5,038	6,827
Total assets	5,356	6,271	8,298	7,215	8,678
Total Loans	2,205	2,314	2,604	1,370	2,440
Total current liabilities	1,614	2,427	2,386	2,655	3,050
Total long-term liabilities	2,487	2,559	3,025	1,576	2,690
Total liabilities	4,101	4,986	5,410	4,232	5,740
Paid-up capital	381	381	510	510	612
Total equity	1,255	1,286	2,887	2,984	2,937
BVPS (Bt)	3.3	3.4	5.7	5.9	4.8

Cash Flow Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2015F
Core Profit	430	213	1,364	1,727	1,973
Depre.and amortization	23	98	217	381	528
Operating cash flow	102	(129)	(140)	2,127	2,466
Investing cash flow	(1,655)	(1,839)	(1,324)	(3,126)	(2,383)
Financing cash flow	1,551	2,917	1,388	1,109	411
Net cash flow	(2)	949	(76)	110	494

Main Assumptions

	2011	2012	2013F	2014F	2015F
Ending rental space ('000 Sqm)	258	358	484	715	892
Sales ('000 Sqm)	-	107	224	190	199
Average rent (Bt/Sqm/Mo)	n.a.	n.a.	165	168	172
Gross margin rent (%)	80	65	70	70	70
Gross margin sale (%)	n.a.	11	23	30	30
Corporate tax (%)	4	19	20	20	20

Key Financial Ratios

	2011	2012	2013F	2014F	2015F
Gross margin	80.4	19.6	26.8	36.2	38.0
Operating margin	94.4	22.8	28.1	38.0	40.1
EBITDA margin	244.2	23.1	29.5	41.7	45.2
EBIT margin	(2.5)	4.8	21.4	26.5	26.0
Net profit margin	183.6	9.8	19.3	25.4	26.2
ROE	62.7	10.9	36.8	34.3	32.1
ROA	1.9	3.2	13.9	13.5	12.6
D/E	4.0	1.9	1.5	1.6	1.5
Interest cover	(6.3)	(3.4)	(11.7)	(8.7)	(7.4)
Payout Ratio	-	5.3	15.9	40.0	40.0

Reiterate BUY

We confirm our BUY on WHA for several reasons:

- Superior growth story supported by revenue growth driven by rapid portfolio expansion and higher property sales.
- Expanding into the provinces - Lumpoon, Khonkhan, and Surat Thani, strategic locations for the north, northeast, and south of Thailand respectively - to serve modern trade retailers. It has secured long-term contracts for these projects, thus downside risk is limited.
- Prime beneficiary of AEC. The creation of ASEAN Economic Community (AEC) will also generate demand for warehousing. As its first move in anticipation, WHA is expanding its warehouse business into Myanmar to serve this demand. In this venture it has also secured long-term contracts to limit downside risk.
- New business opportunity - office rental and rooftop solar photovoltaic project.
- WHA is trading at a premium valuation compared to TICON, but this is justified, in our view, due to its superior earnings growth outlook, ROE and ROA.

PT upgrade

We raise our PT to Bt67/share or Bt45/share (post 2:1 dividend stock, XD September 2) to factor in our earnings upgrade, its lower cost of debt, and roll-over to mid-2014. Our PT calculation is based on unchanged sum-of-the-parts (SOTP). We value WHAPF at Bt2.3/share (including recapitalization in 4Q13 and next year) based on our price target for WHAPF at Bt14/unit, and Bt42.7/share for the value of WHA's core business using discounted cash flow (DCF).

Our weighted average cost of capital (WACC) assumption is revised down to 7.1% from 7.6% due to a cut in cost of debt. Our WACC is based on our forecast cost of debt of 5.1% (down from 6%); our cost of equity (COE) and perpetual growth assumptions are based on: 1) risk free rate (RFR) of 4.5%, 2) beta of 1x, 3) equity risk premium (ERP) of 6.5% and 4) perpetual growth of 4% (up from 3%). We benchmark our RFR assumption to the historic long-term bond yield; ERP assumption is based on historical SET return minus RFR and terminal growth is based on Thailand's long-term inflation.

Risks to achieve our forecast: construction delay, sluggish property sales and a slowed economy that slows business expansion.

Figure 1: Valuation

	Unit	2014F	2015F	2016F	2017F	2018F
FCF calculation						
EBIT	(Btmn)	1,106	1,462	1,769	2,116	2,509
Less: Adjusted tax	(Btmn)	(88)	(130)	(166)	(211)	(267)
Less: Dividend from WHAPF	(Btmn)	(114)	(175)	(249)	(321)	(393)
Add: Depreciation	(Btmn)	381	528	679	846	1,036
Less: Working capital requirement	(Btmn)	208	101	124	134	139
Less: CAPEX	(Btmn)	(6,129)	(5,533)	(5,698)	(6,228)	(6,974)
Add: Asset disposal	(Btmn)	5,353	5,555	6,038	6,803	7,767
Free cash flow (FCF)	(Btmn)	717	1,808	2,497	3,139	3,816
DCF calculation						
PV of forecasted FCF	(Btmn)	9,479	9,382			
Perpetual value	(Btmn)	34,471	36,650			
Core enterprise value	(Btmn)	43,950	46,032			
Less: Net debt	(Btmn)	(5,382)	(6,088)			
Core equity value	(Btmn)	38,569	39,944			
SOTP calculation						
Core business	(Btmn)	38,569	39,944			
Value of stake in WHAPF	(Btmn)	2,120	2,120			
Total equity value	(Btmn)	40,688	42,064			
Mid-2014 equity value	(Btmn)		41,376			
Mid-2014 equity value/shr-Pre XD	(Bt/Shr)		67			
Mid-2014 equity value/shr-Post XD	(Bt/Shr)		45			

Source: SCBS Investment Research

Earnings revision

We raise our earnings forecast by 66.7% to Bt1.4bn for 2013 and 79.9% to Bt1.7bn for 2014 largely to incorporate the higher-than-expected revenue recognition driven by the greater expansion in its portfolio than anticipated plus higher property sales.

Figure 2: Earnings revision and assumptions

	Units	2013			2014		
		Previous	Current	% ch	Previous	Current	% ch
Warehouse revenue	Btmn	604	623	3.2	777	1,117	43.8
Office revenue	Btmn	0	0	n.a.	0	5	100.0
Property sales	Btmn	2,100	6,446	207.0	3,408	5,690	66.9
Net profit	Btmn	818	1,364	66.7	960	1,727	79.9
Assumptions							
Pre-lease	Sqm	300,000	500,000	66.7	300,000	300,000	n.a.
Leased area	Sqm	184,706	349,531	89.2	200,000	421,481	110.7
Property sales	Sqm	69,529	223,868	222.0	150,000	189,667	26.4
Rent - warehouse	Bt/Sqm/Mth	170	165	-2.9	173	168	-2.7
Rent - office	Bt/Sqm/Mth	n.a.	250	n.a.	n.a.	250	n.a.
Gross margin - warehouse	%	70	70	0.0	70	70	0.0
Gross margin - office	%	n.a.	60	n.a.	n.a.	60	n.a.
Gross margin - sales	%	43	26	-41.2	31	30	-1.3

Source: SCBS Investment Research

Premium valuation is justified

At its last close, WHA is trading at 17-24.6x PER and 5-7.4x PBV of 2013-2015F. This is a premium compared to TICON, which is trading at 8.3-10.2x PER and 1.6-1.9x PBV in the same period. In our view, trading at a premium valuation is justified by its superior earnings growth outlook with 3-year CAGR of 109.9% during 2012-2015, and solid ROE of 34.4-36.8% and ROA of 13.5-13.9% for 2013-2014, underwritten by WHA's full house that maximizes returns.

Figure 3: Earnings growth, ROE and ROA comparison

	Unit	WHA	TICON
Earnings growth - 3yr CAGR 2012-2015	%	109.9	15.6
Earnings growth - 2yr CAGR 2013-2015	%	29.2	11.2
ROE -2013	%	36.8	19.5
ROE -2014	%	34.4	20.0
ROA - 2013	%	13.9	7.3
ROA - 2014	%	13.5	6.9

Source: SCBS Investment Research

Superior growth story

Rapid portfolio expansion. Its financial position was strengthened by its IPO, giving it the ability to expand strongly. It has thus raised its pre-lease target by 67% to 500K sqm from the 300K sqm initial target, but expects this to slow to 300K sqm in 2014. This is a sharp jump from our previous assumption of about 200K sqm a year. In 1H13, it achieved 320K sqm in new pre-lease contracts or 64% of its revised full year target. It is in talks with several clients and is also well positioned to win a contract with a large ice cream company for a cold storage warehouse. It is therefore well on its way to meeting its ambitious full year target. Leased area and revenue will increase accordingly, assuming 50-60% of total pre-leases are completed and leased each year.

Property sales up. WHA will finance its large capex by property sales and loans, meaning no risk of a capital call for now. We triple our property sales estimate to Bt6.4bn in 2013 and by 67% to Bt5.7bn for 2014.

Figure 4: Pre-lease and leased area assumptions

	Unit	2012	2013F	2014F	2015F
Pre-lease assumption					
Beginning pre-lease	Sqm	101,531	252,000	402,469	280,988
New pre-lease	Sqm	206,912	500,000	300,000	345,000
Completion	Sqm	163,670	349,531	421,481	375,593
Ending pre-lease (Backlog)	Sqm	252,000	402,469	280,988	250,395
Leased area assumption					
Beginning leased area	Sqm	n.a.	357,965	483,628	715,443
New leased area	Sqm	n.a.	349,531	421,481	375,593
Property sales	Sqm	-107,277	-223,868	-189,667	-199,064
Ending leased area	Sqm	357,965	483,628	715,443	891,971

Source: SCBS Investment Research

Expanding outward

Growing with modern trade retailers, for which logistic centers are vital to success, WHA has acquired land in Lumpoon, Khon Kaen and Surat Thani provinces, which are strategic locations for product distribution to the north, northeast and south, respectively. It has entered into long-term contracts, limiting risk.

This places it to gain from the Thai government's ambition to be a logistics hub for AEC and to achieve this, the government has budgeted Bt2tn to upgrade the nation's transportation infrastructure to reduce logistic costs from the relatively high 14.5% in 2011 to be comparable with peers (13% for Malaysia and 8% for Singapore). This will create new logistic locations – an opportunity for WHA.

Figure 5: WHA's current strategic locations



Source: WHA

Prime beneficiary of AEC

The creation of AEC by 2015 will create strong demand for warehousing from existing clients in line with their business expansion, as well as demand from newcomers. WHA is beginning its expansion with Myanmar, where it will set up a warehouse business. Here too it has entered into long-term contracts, limiting risk.

New business opportunity

Offices for rent. Its strong relationship with a client got WHA a long-term contract from Hitachi to lease 6K sqm in office space on Bangna-Trad road (near Mega Bangna). The construction of the office will be completed by 3Q14. We estimate small revenue contribution of just Bt5mn in 2014, but this will rise to Bt18mn in 2015 with gross yield of about 16%. The company plans to expand this office building, giving upside risk.

Rooftop solar photovoltaic project. WHA will participate in a rooftop solar photovoltaic project to supply electricity to EGAT. It expects to receive a 25-year power purchase agreement (PPA) for 30MW out of 100MW being awarded for the first phase. WHA will enter into a JV with SPCG, a listed company whose focus is on solar installation, and GUNKUL, an SPP and solar farm operator. WHA will hold 75% in the joint venture. The JV will submit its proposal on September 2 and the result will be announced by September 23. The installation must be completed by year end.

WHA will benefit in two ways: a) profit from its 75% stake; and b) rental income from renting out the rooftop space. With a feed-in-tariff (FIT) rate of Bt6.16/KWh for 30MW capacity, we estimate WHA will have profit of about Bt75mn p.a. or about 4.7% of our 2014 profit forecast. We calculate DCF at Bt1.2bn or Bt1.3/share post XD. Assuming the company sells 15MW to an infrastructure fund, we estimate net profit rises to ~Bt355mn in 2014 based on dividend yield of 7.5%, and DCF to Bt1.5bn or Bt1.6/share post XD.

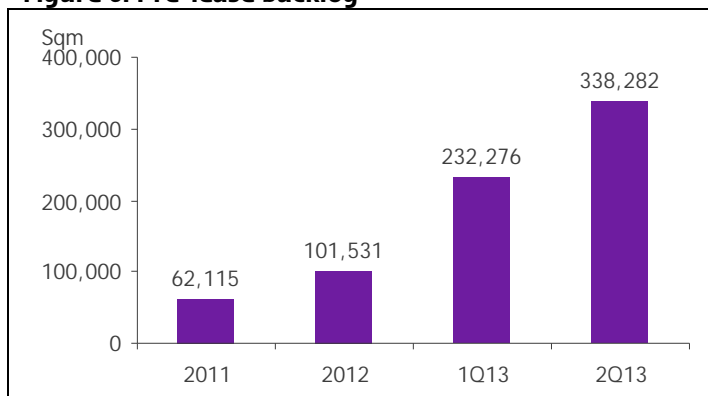
We did not include this in our current forecast, preferring to leave it as an upside risk.

Operational update

1H13 performance low on accounting distortion. Despite the property sales of Bt2bn (69.5K sqm), consolidated core profit was low at Bt144mn, a contraction of 16.8% YoY. This is blamed on an accounting distortion, with WHA booking a net loss of Bt72mn on sale of property on the consolidated P&L as it had to mark asset prices to market though acquisition cost was much lower (positive goodwill). However, it made a gain of Bt372mn on the unconsolidated P&L. According to the company, there will be no more such distortion in the future.

Fully occupied. WHA continues to report a 100% occupancy rate, made possible by its focus on build-to-suit contracts. With demand exceeding the company's supply, its pre-lease backlog increased substantially to 338.3K sqm at end-2Q13 from 78.8K sqm at end-2012. This will be delivered to clients over the next 12 months.

Figure 6: Pre-lease backlog

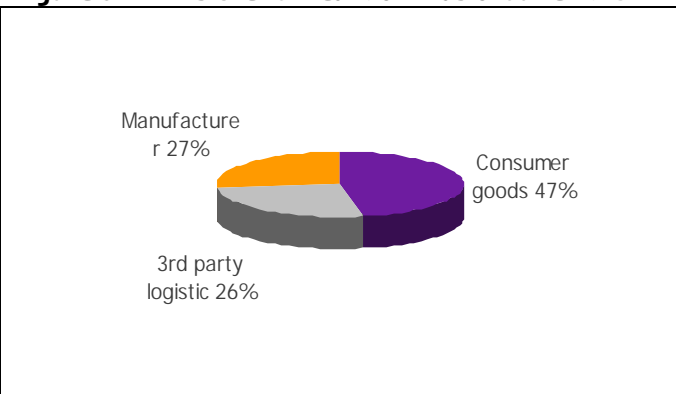
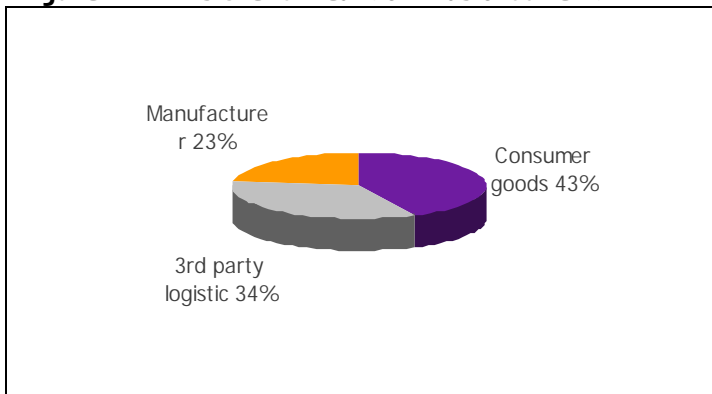


Source: WHA

Strong client base. Since keeping logistic costs down is vital to success for its clients in the consumer product industry, WHA's client base in this category remains solid at 47% of its total portfolio in June 2013, an increase from 43% in June 2012. Its proportion of manufacturing clients has risen to 27% from 23%.

Figure 7: WHA's client breakdown as of June 2012

Figure 8: WHA's client breakdown as of June 2013



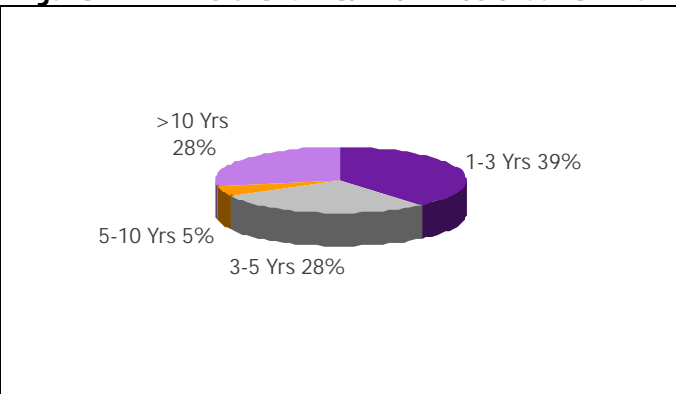
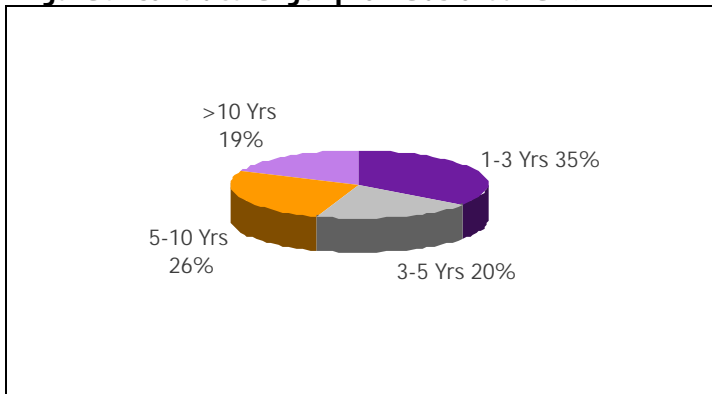
Source: WHA

Source: WHA

Strong lease profile. WHA's lease expiry profile is very strong with contracts covering over ten years rising to 28% of its portfolio from 19%, solidifying its earnings visibility. Written into these long-term contracts is a rent increase every three years.

Figure 9: Contract length profile as of June 2012

Figure 10: WHA's client breakdown as of June 2013



Source: WHA

Source: WHA

Land acquisition. WHA acquired more than 400 rai of land in 1H13. This increases its land inventory for warehouse development by 1mn sqm, which will last for almost three years.

CG Rating 2012 Companies with CG Rating under SCBS's Coverage
 ADVANC, AOT, BANPU, BAY, BBL, BCP, BECL, BMCL, BTS, CSL, DRT, EGCO, ERW, HEMRAJ, IRPC, KBANK, KKP, KTB, LPN, MCO, PS, PSL, PTT, PTTPE, PTTGC, QH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, THAI, TISCO, TMB, TOP, TTA
 AMATA, AP, ASP, BEC, BH, BIGG, CENTEL, CK, CPALL, CPF, DCC, DELTA, DTAC, ESSO, GPPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, OISHI, PM, SCCC, SMT, SPALI, STANLY, STEG, SVI, TCAP, THCOM, THRE, TICON, TRUE, TTW, TUF
 AEONTS, AH, BLA, CCET, JMART, KTC, LHBANK, MAJOR, RCL, ROJINA, SIRI, TPIPL
 N/A
 AAV, BCH, BGGH, CPNRF, NOK, NWR, POPF, QHPF, SSI, TFUND, TLOGIS, WHA, WHAFF

Corporate Governance Report disclaimer
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