



WHA Corporation (WHA.BK/WHA TB)*

Solar rooftop projects announced

Bt39.50
Outperform
Company update

Maintained

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- **Rate Outperform with a new target price of Bt43.00**
- **Estimate solar rooftop projects to have NPV to WHA share of Bt0.04 per MW**
- **Asset monetization of at least Bt4.4bn during 2H13**
- **Warehouse underdevelopment of 698K sqm**

Maintain Outperform with a new target price of Bt43.00

Yesterday, WHA announced the establishment of new subsidiaries to carry out solar rooftop projects. We estimate the projects would create around Bt0.04/MW in value to the share price. The total value created would depend on the license obtained from the government auction. Therefore, we have not included the value of the solar rooftop project in our projection but provide scenario analysis on possible outcome. For WHA's asset monetization plan, the company announced the projects and minimum selling price that would be sold to WHA Premium Factory and Warehouse (WHAPF.BK/WHAPF TB). The minimum selling price of all projects is Bt4.4bn which is in-line with our projection. Meanwhile, the company's warehouse construction continues as planned. We, therefore, maintain our projection that revenue and earnings would reach a record high of Bt7.15bn and Bt1.47bn, respectively. We reiterate an Outperform rating with a new target price adjusted for stock dividend of Bt43.00.

Solar rooftop projects announced with GUNKUL and SPCG

WHA announced the establishment of 16 subsidiaries to carry out solar rooftop projects. The subsidiaries will be formed as joint ventures; six JV with Gunkul Engineering (GUNK.BK/GUNKUL TB)* and ten JV with SPCG (SPCG.BK/ SPCG TB)*. For each subsidiary, WHA would hold a 75% stake while GUNKUL and SPCG would hold 25%. The total capacity is estimated to be around 100 MW from their warehouse roof area which is planned to reach 1mn sqm by the end of 2014. However, actual production would depend on the license WHA obtains from the government auction, which is expected to be finalized this month. The project will be supported by Feed-in Tariff (FIT) of Bt6.16 per KW as WHA's projects are classified as medium-to-large factories (producing more than 250 KW).

Scenario analysis on solar rooftop projects

Our analysis of the solar rooftop projects is based on the following key assumptions;

- i) Total investment cost is estimated at Bt65mn per MW - slightly higher than the average historical cost of solar farms in Thailand of Bt60mn per MW.

- ii) Output capacity is assumed at 85% of installed capacity and average output of electricity is assumed at 4.9 hours per day.
- iii) Operating cost is estimated at Bt0.6mn per MW.
- iv) Depreciation period of 25 years is due to the lifetime of solar cells guaranteed by the producers.
- v) Financial cost is forecast at 5.00% with D/E ratio of 3:1 and payback period of 10 years.
- vi) Project's WACC of 5.88%.

We estimate that the project would generate average revenues and earnings of Bt8.5mn and Bt2.9mn, respectively, per MW per year. The NPV of the project for each MW to WHA's share value is estimated at Bt0.04 (calculated on WHA's 75% holding in the project).

Figure 1: Incremental value to WHA share on each scenario

	20 MW	25 MW	30 MW	35 MW
Revenue (Bt mn)	170	213	256	298
Net profit (Bt mn)	57	72	86	100
EPS (Bt)	0.06	0.08	0.09	0.11
NPV per WHA share (Bt)	0.73	0.92	1.10	1.29

Source: KGI Securities (Thailand) estimates

Minimum value of asset monetization of Bt4.4bn during 2H13

Revenue from asset monetization is the source of the large jump in WHA's revenue, as it started monetizing its warehouses and factories to WHAPF in 2012. During 1H13, it monetized Bt2bn worth of assets. WHA announced the projects and a minimum value of Bt4.4bn that will be monetized to WHAPF during 2H13. The announcement is in-line with our projection. We estimate total value of asset monetization in 2013 to be around Bt6.5bn.

Warehouse development carrying on as planned

Warehouse development is carrying on as planned with total developed area of more than 700K sqm expected by the end of 2013 and more than 1mn sqm by the end of 2014. Currently, WHA has 11 future projects to be developed. The total size is 698K sqm with a total project value of Bt12-13bn. Therefore, we expect WHA to continue to grow as we have projected.

Valuation and Recommendation

We maintain a rating of Outperform on WHA with a new target price adjusted for dilution after the stock dividend of 2:1 of Bt43.00. The solar rooftop project value is not yet included in our projection and target price.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)		
2011	223	417.9	540	405	2.19	379.4		
2012	2,175	874.7	504	213	0.53	(75.7)		
2013F	7,151	228.8	2,254	1,470	1.60	200.0		
2014F	5,912	(17.3)	2,492	1,575	1.72	7.1		
2015F	6,216	5.1	2,776	1,746	1.90	10.9		
Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)		
2011	80.6	13.0	7.0	18.0	-	62.7		
2012	19.9	54.3	5.2	74.0	-	10.5		
2013F	29.8	13.3	8.8	24.7	2.2	41.1		
2014F	38.0	12.3	6.6	23.0	0.6	32.8		
2015F	39.7	11.4	5.2	20.8	0.6	27.9		
Sector	Property and Construction					52-week trading range (Bt)	19.9 - 62.8	
12M target price (Bt/shr)						43.00	Mkt cap-Bt bn/US\$ bn	24,170/8
Upside/downside (%)						8.9	Outstanding shares (mn)	612.0
The percentile of excess return (%)						22.0	Free floating shares (mn)	148.8
Dividend yield-12/13F (%)						2.2	Foreign ownership (mn)	11.3
Book value/shr-12/13F (Bt)						4.5	3M avg. daily trading (mn)	1.4
P/B-12/13F (x)						8.8	Abs. performance (3,6,12M)(%)	-31; -34.2; 97.5
Net debt/equity-12/13F (%)						139.4	Rel. performance (3,6,12M)(%)	-18.9; -22.5; 93.1

*The Company may be issuer of Derivative Warrants on these securities.


Balance Sheet

As of 31 Dec (Bt mn)	2011	2012	2013F	2014F	2015F
Total Assets	5,188	8,298	11,086	13,345	16,026
Current Assets	100	1,569	765	657	649
Cash & ST Investments	29	1,095	147	150	114
Inventories	0	0	0	0	0
Accounts Receivable	10	21	38	72	90
Others	60	453	580	435	445
Non-current Assets	5,088	6,729	10,321	12,688	15,377
LT Investments	177	653	1,477	2,191	2,905
Net fixed Assets	4,862	5,989	8,752	10,400	12,370
Others	49	86	92	97	102
Total Liabilities	4,148	5,256	6,970	7,854	8,990
Current Liabilities	2,571	2,386	1,805	1,789	1,825
Accounts Payable	749	645	678	712	747
ST Borrowings	1,761	1,679	981	831	781
Others	62	62	146	246	296
Long-term Liabilities	1,577	2,870	5,166	6,066	7,166
Long-term Debts	1,340	2,605	4,904	5,804	6,904
Others	237	264	262	262	262
Shareholders' Equity	1,040	3,042	4,116	5,490	7,036
Common Stock	381	510	918	918	918
Capital Surplus	173	1,722	1,722	1,722	1,722
Retained Earnings	486	810	1,476	2,850	4,396
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Securities (Thailand) estimates

Key Assumptions & Ratios

Year to 31 Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	417.9	874.7	228.8	(17.3)	5.1
Operating profit	4,162.2	144.4	452.6	4.8	9.5
EBITDA	315.2	(6.7)	347.1	10.6	11.4
Net profit	421.7	(47.4)	589.0	7.1	10.9
EPS	379.4	(75.7)	200.0	7.1	10.9
Profitability (%)					
Gross Margin	80.6	19.9	29.8	38.0	39.7
Operating Margin	66.7	16.7	28.1	35.6	37.1
EBITDA Margin	242.2	23.2	31.5	42.2	44.7
Net Profit Margin	181.7	9.8	20.6	26.6	28.1
ROAA	13.7	3.2	15.2	12.9	11.9
ROAE	62.7	10.5	41.1	32.8	27.9
Stability					
Gross Debt/Equity (%)	298.3	140.8	143.0	120.8	109.2
Net Debt/Equity (%)	295.5	104.8	139.4	118.1	107.6
Interest Coverage (x)	1.7	2.4	6.1	7.1	6.7
Interest & ST Debt Coverage (x)	0.1	0.2	1.5	1.9	2.0
Cash Flow Interest Coverage (x)	(36.9)	(12.0)	(6.5)	(1.8)	(2.6)
Cash Flow/Interest & ST Debt (x)	(1.7)	(1.0)	(1.6)	(0.5)	(0.8)
Current Ratio (x)	0.0	0.7	0.4	0.4	0.4
Quick Ratio (x)	0.0	0.7	0.4	0.4	0.4
Net Debt (Bt mn)	3,071	3,189	5,738	6,485	7,570.7
Per Share Data (Bt)					
EPS	2.2	0.5	1.6	1.7	1.9
CFPS	(17.1)	(4.5)	(2.3)	(0.6)	(1.0)
BVPS	5.6	7.6	4.5	6.0	7.7
SPS	1.2	5.4	7.8	6.4	6.8
EBITDA/Share	2.9	1.3	2.5	2.7	3.0
DPS	0.0	0.0	0.9	0.2	0.2
Activity					
Asset Turnover (x)	0.0	0.3	0.6	0.4	0.4
Days Receivables	16.8	3.5	1.9	4.4	5.3
Days Inventory	0.0	0.0	0.0	0.0	0.0
Days Payable	N.A.	135.1	49.3	70.9	72.7
Cash Cycle	N.A.	(131.7)	(47.3)	(66.4)	(67.4)

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2011	2012	2013F	2014F	2015F
Sales	223	2,175	7,151	5,912	6,216
Cost of Goods Sold	43	1,743	5,021	3,665	3,749
Gross Profit	180	432	2,130	2,247	2,467
Operating Expenses	31	68	120	140	160
Operating Profit	149	364	2,010	2,107	2,307
Net Interest	(85)	(147)	(327)	(294)	(336)
Interest Income	1	2	3	5	10
Interest Expense	86	149	330	299	346
Net Investment Income/(Loss)	11	34	63	115	166
Net other Non-op. Income/(Loss)	356	2	3	40	45
Net Extraordinaries	22	0	0	0	0
Pretax Income	430	253	1,750	1,968	2,182
Income Taxes	3	40	280	394	436
Net Profit	405	213	1,470	1,575	1,746
EBITDA	540	504	2,254	2,492	2,776
EPS (Bt)	2.19	0.53	1.60	1.72	1.90

Source: Company data; KGI Securities (Thailand) estimates

Cash Flow

Year to 31 Dec (Bt mn)	2011	2012	2013F	2014F	2015F
Operating Cash Flow	1,219	(199)	1,612	2,045	2,057
Net Profit	405	213	1,470	1,575	1,746
Depreciation & Amortization	25	104	178	230	258
Change in Working Capital	789	(516)	(36)	240	53
Others	0	0	0	0	0
Investment Cash Flow	(4,380)	(1,597)	(3,765)	(2,592)	(2,942)
Net CAPEX	(4,380)	(1,231)	(2,941)	(1,878)	(2,228)
Change in LT Investment	(0)	(365)	(824)	(714)	(714)
Change in Other Assets	0	0	0	0	0
Free Cash Flow	(3,161)	(1,795)	(2,153)	(547)	(885)
Financing Cash Flow	3,161	2,861	1,205	550	850
Change in Share Capital	383	1,678	408	0	0
Net Change in Debt	2,778	1,183	1,601	750	1,050
Change in Other LT Liab.	0	0	(804)	(200)	(200)
Net Cash Flow	0	1,066	(948)	3	(35)

Source: Company data; KGI Securities (Thailand) estimates

Rates of Return on Invested Capital

Year	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= $\frac{\text{Operating Margin}}{\text{Revenue}}$			
2011	19.4%	11.2%	2.7%	66.7%			
2012	80.1%	4.8%	-1.7%	16.7%			
2013F	70.2%	2.5%	-0.8%	28.1%			
2014F	62.0%	3.9%	-1.5%	35.6%			
2015F	60.3%	4.2%	-1.6%	37.1%			
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$			
2011	-3.0	21.8	0.2	0.1			
2012	-0.1	2.8	0.0	0.4			
2013F	0.0	1.2	0.0	0.8			
2014F	0.0	1.8	0.0	0.6			
2015F	0.0	2.0	0.0	0.5			
Year	Operating Margin	x	Capital Turnover	x	Cash Tax Rate	=	After-tax Return on Inv. Capital
2011	66.7%		0.1		99.4%		3.5%
2012	16.7%		0.4		84.3%		5.2%
2013F	28.1%		0.8		84.0%		19.2%
2014F	35.6%		0.6		80.0%		16.4%
2015F	37.1%		0.5		80.0%		15.1%

Source: Company data; KGI Securities (Thailand) estimates

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