



WHA Corporation (WHA.BK/WHA TB)*

Aggressive area expansion continues

Bt36.25

Outperform

Company update

Maintained

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- **Rate Outperform with a 2014 target price of Bt46.00**
- **Expect developed and pre-leased area to reach 1mn sqm by the end of 2013**
- **New area acquired are in strategic logistic hubs**
- **Asset monetization of Bt4.5bn during 4Q13**

Growth continues

WHA has successfully implemented its warehouse expansion plan. As of 3Q13, total completed and pre-leased area (under WHA and WHAPF) reached 891K sqm and we project that the area would reach 1mn sqm by the end of the year. Asset monetization in 4Q13 is estimated to have asset sales price of Bt4.5bn. We maintain our 2013 projections that revenue and earnings would reach record highs of Bt7.15bn and Bt1.47bn, respectively. However, we cut 2014 earnings by 8.8% as we adjusted our assumptions on area expansion and asset sales to be more conservative. For the solar rooftop business, WHA will utilize 4.28MW for this phase and we estimate NPV of the solar rooftop project to be Bt0.04 per MW, so total value of the project for this phase is Bt0.17 for each WHA share. We have not added this project value into our target price, but the value added is not significant. We rate WHA Outperform with our target price rolled-over to 2014 at Bt46.00, from Bt43.00.

Area to reach 1mn sqm by the end of 2013 and projected to continue growing

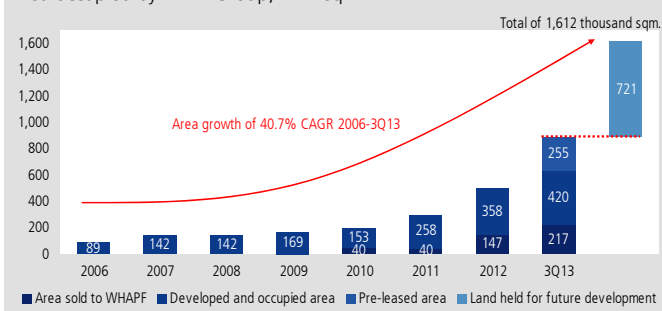
Currently, WHA has total completed and pre-leased area of 891K sqm under both WHA and WHAPF with 721K sqm land held for development. Some parts of its land held for development are from the new joint venture with KPN Group. This new land bank is located on Bangna-Trad road Km.23 with up to 176 rais or leasable area of approximately 170K sqm, which is targeted to be utilized in the next two years. We project the total completed and pre-leased area would reach 1mn sqm by the end of 2013. For 2014, we set the assumption that the area would reach 1.3mn sqm. Area growth would be the main factor to drive the recurring income.

Area in strategic logistic hub; high demand for warehouse

WHA currently has a large area of land held for development in the Bangna area, which is a strategic logistics location. The area is close to the seaport and airport with highway to the eastern industrial estate zone. The area has very high demand from manufacturing and logistics companies for quality warehouses and the record is proven with the occupancy and retention rate of 100%. WHA also has areas in other provinces along the highway and borders of Thailand and neighboring countries.

Figure 1: More room to expand with large area of land on hand

Area occupied by WHA Group, '000 sqm.



Source: Company data; KGI Securities (Thailand)

Asset monetization of Bt4.5bn during 4Q13

WHAPF has finished its capital increase and the asset monetization is in the process of asset transfer from WHA to WHAPF. WHA's asset sales price to WHAPF is Bt4.5bn, so the total value of asset sales in 2013 would reach Bt6.5bn, in-line with our projection. We estimate that the asset sales in 4Q13 would have a gross margin of around 30-35%. Next year, management targets asset monetization to be around 50% of the land developed.

Solar rooftop business to add value

WHA was awarded a license to produce up to 8.52MW in solar electricity for the government via its 75% owned subsidiaries. However, the company will produce only 4.28MW in this phase as the timeframe is too tight. The projects will carry on with Gunkul Engineering (GUNK.BK/GUNKUL TB)* while the project with SPCG (SPCG.BK/SPCG TB)* was terminated. As we estimated, NPV of this project is Bt0.04/MW, so a project value of 4.28MW would be worth Bt0.17 for each WHA share. The total estimated capacity that WHA could generate from its 1mn sqm roof area is 80MW.

Valuation and Recommendation

With rapid area expansion and high demand for quality warehouses in strategic logistic hubs, the prospects remain promising for WHA. We maintain our rating of Outperform with our DCF target price rolled over to 2014 at Bt46.00, from Bt43.00.

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	7,156	229.0	2,249	1,466	1.60	199.2
2014F	5,763	(19.5)	2,330	1,436	1.56	(2.0)
2015F	6,022	4.5	2,557	1,550	1.69	8.0
Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)
2011	80.6	13.0	6.5	16.5	-	62.7
2012	19.9	72.3	4.8	67.9	-	10.5
2013F	29.8	17.3	8.1	22.7	2.4	41.0
2014F	37.0	17.1	6.2	23.2	0.6	30.4
2015F	38.5	16.1	5.0	21.5	0.6	25.7
Sector	Property and Construction				52-week trading range (Bt)	
12M target price (Bt/shr)	46.00				Mkt cap-Bt bn/US\$ bn	
Upside/downside (%)	26.9				Outstanding shares (mn)	
The percentile of excess return (%)	48.0				Free floating shares (mn)	
Dividend yield-12/13F (%)	2.4				Foreign ownership (mn)	
Book value/shr-12/13F (Bt)	4.5				3M avg. daily trading (mn)	
P/B-12/13F (x)	8.1				Abs. performance (3,6,12M)(%)	
Net debt/equity-12/13F (%)	139.6				Rel. performance (3,6,12M)(%)	

*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	11,082	13,378	16,056
Current Assets	100	1,569	761	695	689
Cash & ST Investments	29	1,095	143	196	164
Inventories	0	0	0	0	0
Accounts Receivable	10	21	38	64	80
Others	60	453	580	435	445
Non-current Assets	5,088	6,729	10,321	12,683	15,366
LT Investments	177	653	1,477	2,186	2,895
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	8,030	9,358
Current Liabilities	2,571	2,386	1,804	1,764	1,792
Accounts Payable	749	645	678	712	747
ST Borrowings	1,761	1,679	981	831	781
Others	62	62	146	222	264
Long-term Liabilities	1,577	2,870	5,166	6,266	7,566
Long-term Debts	1,340	2,605	4,904	6,004	7,304
Others	237	264	262	262	262
Shareholders' Equity	1,040	3,042	4,112	5,348	6,698
Common Stock	381	510	918	918	918
Capital Surplus	173	1,722	1,722	1,722	1,722
Retained Earnings	486	810	1,472	2,708	4,058
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	229.0	(19.5)	4.5
OP	4,162.2	144.4	454.1	(1.0)	8.3
EBITDA	315.2	(6.7)	346.2	3.6	9.8
NP	421.7	(47.4)	587.2	(2.0)	8.0
EPS	379.4	(75.7)	199.2	(2.0)	8.0
Profitability (%)					
Gross Margin	80.6	19.9	29.8	37.0	38.5
Operating Margin	66.7	16.7	28.2	34.6	35.9
EBITDA Margin	242.2	23.2	31.4	40.4	42.5
Net Profit Margin	181.7	9.8	20.5	24.9	25.7
ROAA	13.7	3.2	15.1	11.7	10.5
ROAE	62.7	10.5	41.0	30.4	25.7
Stability					
Gross Debt/Equity (%)	298.3	140.8	143.1	127.8	120.7
Net Debt/Equity (%)	295.5	104.8	139.6	124.1	118.3
Interest Coverage (x)	1.7	2.4	6.1	6.5	5.9
Interest & ST Debt Coverage (x)	0.1	0.2	1.5	1.8	1.9
Cash Flow Interest Coverage (x)	(36.9)	(12.0)	(6.5)	(2.3)	(3.0)
Cash Flow/Interest & ST Debt (x)	(1.7)	(1.0)	(1.6)	(0.6)	(0.9)
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	5,742	6,639	7,920.8
Per Share Data (Bt)					
EPS	2.2	0.5	1.6	1.6	1.7
CFPS	(17.1)	(4.5)	(2.3)	(0.8)	(1.2)
BVPS	5.6	7.6	4.5	5.8	7.3
SPS	1.2	5.4	7.8	6.3	6.6
EBITDA/Share	2.9	1.3	2.5	2.5	2.8
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	4.1	4.9
Days Inventory	0.0	0.0	0.0	0.0	0.0
Days Payable	6,318.7	135.1	49.3	71.6	73.7
Cash Cycle	(6,301.9)	(131.7)	(47.3)	(67.5)	(68.8)

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2011	2012	2013F	2014F	2015F
Sales	223	2,175	7,156	5,763	6,022
Cost of Goods Sold	43	1,743	5,021	3,629	3,702
Gross Profit	180	432	2,135	2,134	2,320
Operating Expenses	31	68	120	140	160
Operating Profit	149	364	2,015	1,994	2,160
Net Interest	(85)	(147)	(327)	(305)	(361)
Interest Income	1	2	3	3	3
Interest Expense	86	149	330	308	364
Net Investment Income/(Loss)	11	34	53	102	135
Net other Non-op. Income/(Loss)	356	2	3	3	3
Net Extraordinaries	22	0	0	0	0
Pretax Income	430	253	1,745	1,795	1,938
Income Taxes	3	40	279	359	388
Net Profit	405	213	1,466	1,436	1,550
EBITDA	540	504	2,249	2,330	2,557
EPS (Bt)	2.19	0.53	1.60	1.56	1.69

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)	1,608	1,890	1,855
Net Profit	405	213	1,466	1,436	1,550
Depreciation & Amortization	25	104	178	230	258
Change in Working Capital	789	(516)	(36)	224	47
Others	0	0	0	0	0
Investment Cash Flow	(4,380)	(1,597)	(3,765)	(2,587)	(2,937)
Net CAPEX	(4,380)	(1,231)	(2,941)	(1,878)	(2,228)
Change in LT Investment	(0)	(365)	(824)	(709)	(709)
Change in Other Assets	0	0	0	0	0
Free Cash Flow	(3,161)	(1,795)	(2,157)	(697)	(1,082)
Financing Cash Flow	3,161	2,861	1,205	750	1,050
Change in Share Capital	383	1,678	408	0	0
Net Change in Debt	2,778	1,183	1,601	950	1,250
Change in Other LT Liab.	0	0	(804)	(200)	(200)
Net Cash Flow	0	1,066	(952)	53	(32)

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%	28.2%		
2014F	63.0%	4.0%	-1.6%	34.6%		
2015F	61.5%	4.3%	-1.6%	35.9%		
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	2.1	0.0	0.5		
Year	$\frac{\text{Operating Margin}}{\text{Revenue}}$	x	$\frac{\text{Capital Turnover}}{\text{Revenue}}$	x	$\frac{\text{Cash Tax Rate}}{\text{Revenue}}$	= $\frac{\text{After-tax Return on Inv. Capital}}{\text{Revenue}}$
2011	66.7%		0.1		99.4%	3.5%
2012	16.7%		0.4		84.3%	5.2%
2013F	28.2%		0.8		84.0%	19.3%
2014F	34.6%		0.6		80.0%	15.5%
2015F	35.9%		0.5		80.0%	14.1%

Source: Company data; KGI Securities (Thailand) estimates

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	Kingpai Koosakulnirund	KK	Soft commodity, shipping, small caps	8857	kingpaik@kgi.co.th
	Phatipak Navawatana	PN	Telecom, media, healthcare	8847	phatipakn@kgi.co.th
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