



WHA Corporation (WHA.BK/WHA TB)*

Solid area growth in 2014

Bt26.75

Outperform

Maintained

**Company update
Earnings preview**

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- **4Q13 earnings projected to break record from large gain recognized on asset monetization**
- **Target area expansion of 300K sqm in 2014**
- **Recurring income from rental to grow strong**
- **2014-2015 earnings revised down by 10-11% to reflect domestic economic slowdown**
- **Maintain Outperform; lowered target price to Bt36.50**

Maintain Outperform with a new target price of Bt36.50

WHA's share price has declined 37% over the past three months on concern about its future expansion plan during the economic slowdown. We talked to management yesterday on the outlook for the industry and the company, and they guided that most project expansion was still on-going as projected and demand from customers remained high. However, we are more conservative in our view and revised down our earnings projection for the company to be consistent with KGI Research's view on slowing domestic economic growth, which will likely soften demand for warehouses. We lowered our 2014-15 earnings projections by 10-11%. Our discount rate is also revised up to reflect higher market risk and the higher sensitivity of WHA's share price to the market. After the adjustments, we maintain a rating of Outperform with a new target price of Bt36.50, from Bt46.00.

Figure 1: Revised 2014-15 projections down by 10-11%

Bt mn	Revised		Previous		% change	
	2014F	2015F	2014F	2015F	2014F	2015F
Sales	5,219	5,209	5,763	6,022	(9.4)	(13.5)
Net profit	1,289	1,380	1,436	1,550	(10.2)	(11.0)

Source: KGI Securities (Thailand) estimates

Recorded high earnings in 4Q13

We anticipate 4Q13 earnings to be a record high as WHA realized large gain on its asset sales to WHAPF in December 2013. Rental revenue should also jump significantly with leasable area growth, thanks to aggressive area expansion last year. The company's 4Q13 revenue is estimated at Bt4.75bn and earnings at Bt1.28bn, growing 5,077% YoY.

Figure 1: 4Q13 earnings forecast

Bt mn	4Q13F	4Q12	YoY (%)	3Q13	QoQ (%)	2013F	2012	YoY (%)
Sales and services	4,751	118	3,912.3	140	3,295.1	7,141	2,169	229.2
Gross profit	1,694	77	2,102.3	95	1,680.2	2,042	426	379.6
Net profit	1,276	25	5,077.3	30	4,175.9	1,450	213	579.9
EPS (Bt)	1.39	0.06	2,155.9	0.03	4,175.9	1.58	0.53	196.0
Percent	4Q13F	4Q12	YoY (ppts)	3Q13	QoQ (ppts)	2013F	2012	YoY (ppts)
Gross margin	35.7	65.0	(29.3)	68.0	(32.3)	28.6	19.6	9.0
Net margin	26.9	20.8	6.0	21.3	5.5	20.3	9.8	10.5

Source: Company data; KGI Securities (Thailand) estimates

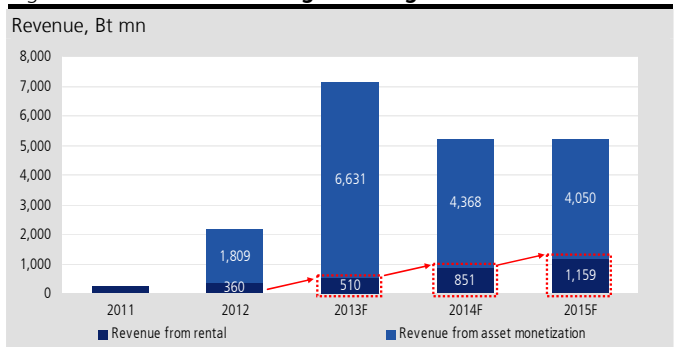
Target area expansion of 300K sqm with estimated asset monetization of Bt4.3bn in 2014

As of 3Q13, WHA had total completed and pre-leased area of 891K sqm under both WHA and WHAPF. Management guided that total area should be around 950K sqm by year end 2013. The target is to expand by 300K sqm in 2014, bringing total area developed to 1.25mn sqm by the end of the year. Strategically, WHA would monetize around half of its area expanded each year, so we project the area to be monetized to WHAPF at 160K sqm in 2014 with total sales value of Bt4.3bn. Cash generated from asset monetization would be spent on future project expansion. Management targets the gross margin of asset sales at 30% or higher, however, we set a conservative assumption of 29%.

High growth in recurring income from rental

Due to WHA's aggressive area expansion, we project leasable area under it to grow by 140K sqm and reach 500K sqm by the end of 2014. Rental revenue would continue to grow with area expansion. As the proportion of recurring income increases, the fluctuation in revenue and earnings would decline. We estimate that rental revenue would grow at 48% per year (CAGR 2012-2015).

Figure 3: Consistent recurring income growth from rental



Source: Company data; KGI Securities (Thailand) estimate

Valuation and Recommendation

We maintain a rating of Outperform on WHA. Our new DCF target price is Bt36.50, from Bt46.00 as we revised down our future earnings projection by around 10-11% and adjusted WACC to 8.2%, from 7.3%.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)
2011	221	412.8	540	405	2.19	379.4
2012	2,169	881.7	504	213	0.53	(75.7)
2013F	7,141	229.2	2,196	1,450	1.58	196.0
2014F	5,219	(26.9)	2,077	1,289	1.40	(11.1)
2015F	5,209	(0.2)	2,293	1,380	1.50	7.0

Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)
2011	80.4	13.0	4.8	12.2	-	62.7
2012	19.6	55.0	3.5	50.1	-	10.5
2013F	28.6	13.4	6.0	16.9	3.3	40.6
2014F	35.3	14.6	4.7	19.1	0.8	27.8
2015F	38.6	14.1	3.9	17.8	0.8	23.9

Sector	Property and Construction	52-week trading range (Bt)	20.3 - 62.8
12M target price (Bt/shr)	36.50	Mkt cap-Bt bn/US\$ bn	24.56/0.8
Upside/downside (%)	36.4	Outstanding shares (mn)	918.0
The percentile of excess return (%)	50.0	Free floating shares (mn)	223.2
Dividend yield-12/13F (%)	3.3	Foreign ownership (mn)	90.9
Book value/shr-12/13F (Bt)	4.5	3M avg. daily trading (mn)	2.4
P/B-12/13F (x)	6.0	Abs. performance (3,6,12M)(%)	-37.4; -52.2; -41.8
Net debt/equity-12/13F (%)	116.6	Rel. performance (3,6,12M)(%)	-28; -44.5; -35.5

*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	10,771	12,987	15,903
Current Assets	100	1,569	1,420	1,291	1,121
Cash & ST Investments	29	1,095	807	800	600
Inventories	0	0	0	0	0
Accounts Receivable	10	21	33	55	75
Others	60	453	580	435	445
Non-current Assets	5,088	6,729	9,350	11,696	14,782
LT Investments	177	653	1,490	2,145	2,752
Net fixed Assets	4,862	5,989	7,769	9,455	11,929
Others	49	86	92	97	102
Total Liabilities	4,148	5,256	6,675	7,802	9,538
Current Liabilities	2,571	2,386	1,809	1,737	1,773
Accounts Payable	749	645	678	712	747
ST Borrowings	1,761	1,679	981	831	781
Others	62	62	150	194	244
Long-term Liabilities	1,577	2,870	4,866	6,066	7,766
Long-term Debts	1,340	2,605	4,604	5,804	7,504
Others	237	264	262	262	262
Shareholders' Equity	1,040	3,042	4,096	5,185	6,365
Common Stock	381	510	918	918	918
Capital Surplus	173	1,722	1,722	1,722	1,722
Retained Earnings	486	810	1,457	2,546	3,725
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	412.8	881.7	229.2	(26.9)	(0.2)
OP	4,098.9	143.9	445.7	(11.7)	8.0
EBITDA	315.2	(6.7)	335.7	(5.4)	10.4
NP	421.7	(47.4)	579.9	(11.1)	7.0
EPS	379.4	(75.7)	196.0	(11.1)	7.0
Profitability (%)					
Gross Margin	80.4	19.6	28.6	35.3	38.6
Operating Margin	66.4	16.5	27.3	33.0	35.7
EBITDA Margin	244.6	23.2	30.8	39.8	44.0
Net Profit Margin	183.5	9.8	20.3	24.7	26.5
ROAA	13.7	3.2	15.2	10.9	9.6
ROAE	62.7	10.5	40.6	27.8	23.9
Stability					
Gross Debt/Equity (%)	298.3	140.8	136.3	128.0	130.2
Net Debt/Equity (%)	295.5	104.8	116.6	112.5	120.7
Interest Coverage (x)	1.7	2.4	8.7	6.5	5.6
Interest & ST Debt Coverage (x)	0.1	0.2	1.6	1.6	1.7
Cash Flow Interest Coverage (x)	(36.9)	(12.0)	(5.3)	(3.2)	(5.0)
Cash Flow/Interest & ST Debt (x)	(1.7)	(1.0)	(1.0)	(0.8)	(1.5)
Current Ratio (x)	0.0	0.7	0.8	0.7	0.6
Quick Ratio (x)	0.0	0.7	0.8	0.7	0.6
Net Debt (Bt mn)	3,071	3,189	4,777	5,834	7,684.5
Per Share Data (Bt)					
EPS	2.2	0.5	1.6	1.4	1.5
CFPS	(17.1)	(4.5)	(1.3)	(0.9)	(1.8)
BVPS	5.6	7.6	4.5	5.6	6.9
SPS	1.2	5.4	7.8	5.7	5.7
EBITDA/Share	2.9	1.3	2.4	2.3	2.5
DPS	0.0	0.0	0.9	0.2	0.2
Activity					
Asset Turnover (x)	0.0	0.3	0.7	0.4	0.3
Days Receivables	17.0	3.5	1.7	3.9	5.3
Days Inventory	0.0	0.0	0.0	0.0	0.0
Days Payable	6,318.7	135.1	48.5	76.9	85.3
Cash Cycle	(6,301.7)	(131.7)	(46.8)	(73.1)	(80.0)

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2011	2012	2013F	2014F	2015F
Sales	221	2,169	7,141	5,219	5,209
Cost of Goods Sold	43	1,743	5,099	3,375	3,198
Gross Profit	178	426	2,042	1,844	2,012
Operating Expenses	31	68	90	120	150
Operating Profit	147	358	1,952	1,724	1,862
Net Interest	(85)	(147)	(220)	(262)	(328)
Interest Income	1	2	3	3	3
Interest Expense	86	149	223	265	331
Net Investment Income/(Loss)	11	34	54	100	129
Net other Non-op. Income/(Loss)	358	8	28	50	63
Net Extraordinaries	22	0	0	0	0
Pretax Income	430	253	1,813	1,611	1,725
Income Taxes	3	40	363	322	345
Net Profit	405	213	1,450	1,289	1,380
EBITDA	540	504	2,196	2,077	2,293
EPS (Bt)	2.19	0.53	1.58	1.40	1.50

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)	1,587	1,688	1,671
Net Profit	405	213	1,450	1,289	1,380
Depreciation & Amortization	25	104	163	203	240
Change in Working Capital	789	(516)	(27)	195	51
Others	0	0	0	0	0
Investment Cash Flow	(4,380)	(1,597)	(2,779)	(2,544)	(3,321)
Net CAPEX	(4,380)	(1,231)	(1,943)	(1,889)	(2,714)
Change in LT Investment	(0)	(365)	(836)	(655)	(608)
Change in Other Assets	0	0	0	0	0
Free Cash Flow	(3,161)	(1,795)	(1,193)	(857)	(1,650)
Financing Cash Flow	3,161	2,861	905	850	1,450
Change in Share Capital	383	1,678	408	0	0
Net Change in Debt	2,778	1,183	1,301	1,050	1,650
Change in Other LT Liab.	0	0	(804)	(200)	(200)
Net Cash Flow	0	1,066	(288)	(7)	(200)

Source: Company data; KGI Securities (Thailand) estimates

Rates of Return on Invested Capital

Year	1- $\frac{\text{COGS Revenue}}{\text{Revenue}}$	+ $\frac{\text{Depreciation Revenue}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp. Revenue}}{\text{Revenue}}$	= $\frac{\text{Operating Margin}}{\text{Revenue}}$
2011	19.6%	11.3%	2.7%	66.4%
2012	80.4%	4.8%	-1.7%	16.5%
2013F	71.4%	2.3%	-1.0%	27.3%
2014F	64.7%	3.9%	-1.6%	33.0%
2015F	61.4%	4.6%	-1.7%	35.7%

Year	1/ $\frac{\text{Working Capital Revenue}}{\text{Revenue}}$	+ $\frac{\text{Net PPE Revenue}}{\text{Revenue}}$	+ $\frac{\text{Other Assets Revenue}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2011	-3.1	22.0	0.2	0.1
2012	-0.1	2.8	0.0	0.4
2013F	0.0	1.1	0.0	0.9
2014F	0.0	1.8	0.0	0.6
2015F	0.0	2.3	0.0	0.4

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	66.4%	0.1	99.4%	3.4%
2012	16.5%	0.4	84.3%	5.1%
2013F	27.3%	0.9	80.0%	20.0%
2014F	33.0%	0.6	80.0%	14.8%
2015F	35.7%	0.4	80.0%	12.6%

Source: Company data; KGI Securities (Thailand) estimates

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

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

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	Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Thailand).
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	Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.
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