



WHA Corporation (WHA.BK/WHA TB)*

Riding the logistic efficiency trend

Bt32.25

Outperform

Company update

Maintained

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- Plenty of room for growth in modern warehouses
- Unchanged target area expansion of 300K sqm in 2014
- Asset monetization of Bt4.6bn expected in 4Q14
- Maintain Outperform; target price of Bt36.50

Riding the logistic efficiency trend

WHA is still riding of the fast-growing logistic efficiency improvement trend. Demand for modern and standardized warehouses remains very high and current supply is still limited. Management's guidance for 2014 is unchanged with the continuing area expansion of 300K sqm covering many more types of warehouses and area. Meanwhile, asset monetization of Bt4.6bn is targeted for 4Q14. We expect the company to continue to show a good performance in 2014. We reiterate a rating of Outperform on WHA with a target price of Bt36.50.

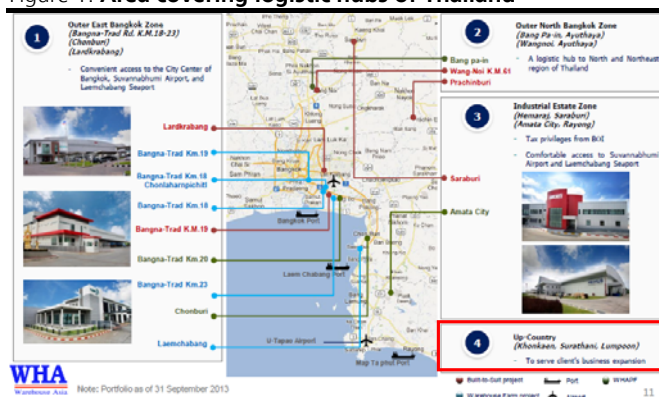
Modern warehouse; high demand but limited supply limited

Modern warehouse still has plenty of room for growth as the current supply remains limited. It is estimated that total supply of logistic facility space is just around 10mn sqm nationwide. Furthermore, many of these spaces are only local-standard and some are developed for the own-use of large merchandized companies. Meanwhile, there is still high demand from merchandisers who do not want to develop their own warehouses but instead find competent warehouse developers to develop for them to lease under contracts. The trend is growing with the growth of modern retailers, convenience stores and e-commerce which are looking for the highest logistics efficiency. Therefore, the modern warehouse is expected to be one of fastest growing segments.

Unchanged expansion target of 300K sqm; covering many types of warehouses and many logistic hubs

Management's plan to expand by 300K sqm continues without problem. This year, WHA is targeting a wider range of customers by building more types of warehouses, such as frozen temperature-controlled warehouses, as well as built-to-suit office for the convenience of customers, especially for those from AEC countries. Management also guided that it will offer a solution providing for e-commerce businesses, which will be announced in the near future. In terms of location, WHA is also expanding up-country to areas such as Khonkaen, Surathani, and Lumphoon to serve customers' business expansions. We estimate the leasable area to grow from 294K sqm in 2013 to 432K sqm by the end of 2014.

Figure 1: Area covering logistic hubs of Thailand



Source: Company data; KGI Securities (Thailand)

Asset monetizing of 167K sqm warehouse for Bt4.6bn in 4Q14

The company plans to divest total leasable area of 167K sqm to WHAPF in 4Q14 for Bt4.6bn. The capital increase of WHAPF was already approved, but WHA is also considering the choice of establishing WHA REIT and divest its asset to WHA REIT instead of WHAPF to maximize gain from the asset sale. The gain from this asset sale is estimated at 30%.

Figure 2: Assets on monetization plan

Asset	Leasable area (sqm)	Tenant
Distribution Center Ladkrabang Phase I & II	35,093	LF Logistics
WHA Mega Logistics Km 18 (Bangna-Trad km 18)	72,179	Menlo, Yusen Logistics, Hitachi Transport System, Central Retail, DKSH, Kega Electronics, Kerry Logistics, APL Logistics
WHA Mega Logistics km 23 (Bangna-Trad km 23)	59,835	Nissan, Starbucks Menlo
DSG Modification (Saraburi)	-	Baby Love, PetPet, Fitti, Certainty

Source: Company data; KGI Securities (Thailand) estimates

Valuation and Recommendation

We reiterate an Outperform rating on WHA with a DCF target price of Bt36.50.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)	
2011	221	412.8	541	405	2.19	379.4	
2012	2,169	881.7	504	213	0.53	(75.7)	
2013	7,085	226.7	2,025	1,463	1.59	198.7	
2014F	5,382	(24.0)	2,212	1,407	1.46	(8.4)	
2015F	5,642	4.8	2,508	1,523	1.58	8.2	
Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)	
2011	80.4	13.0	5.7	14.7	-	62.7	
2012	19.6	65.0	4.5	60.4	-	10.9	
2013	27.4	16.8	7.1	20.2	1.7	41.6	
2014F	36.5	16.5	6.2	22.1	2.2	30.6	
2015F	38.4	15.9	5.6	20.4	3.2	28.7	
Sector	Property and Construction					52-week trading range (Bt)	20.3 - 57.3
12M target price (Bt/shr)	36.50					Mkt cap-Bt bn/US\$ bn	29.61/0.9
Upside/downside (%)	13.2					Outstanding shares (mn)	918.0
The percentile of excess return (%)	38.5					Free floating shares (mn)	223.2
Dividend yield-12/14F (%)	2.2					Foreign ownership (mn)	90.9
Book value/shr-12/14F (Bt)	5.2					3M avg. daily trading (mn)	6.9
P/B-12/14F (x)	6.2					Abs. performance (3,6,12M)(%)	7.5; -25.4; -29.1
Net debt/equity-12/14F (%)	135.5					Rel. performance (3,6,12M)(%)	6.1; -18.5; -22.9

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


Balance Sheet

As of 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
Total Assets	5,188	8,298	11,049	13,685	17,838
Current Assets	100	1,569	1,107	494	490
Cash & ST Investments	29	1,095	983	280	256
Inventories	0	0	0	0	0
Accounts Receivable	10	21	48	52	73
Others	60	453	75	162	162
Non-current Assets	5,088	6,729	9,942	13,190	17,348
LT Investments	177	653	1,400	2,187	2,865
Net fixed Assets	4,862	5,989	8,500	10,961	14,441
Others	49	86	42	42	42
Total Liabilities	4,148	5,410	6,895	8,651	12,267
Current Liabilities	2,571	2,386	2,530	2,185	3,670
Accounts Payable	749	645	1,123	1,179	1,238
ST Borrowings	1,761	1,679	1,122	797	2,170
Others	62	62	285	209	262
Long-term Liabilities	1,577	3,025	4,365	6,466	8,597
Long-term Debts	1,340	2,605	4,202	6,302	8,432
Others	237	419	164	164	165
Shareholders' Equity	1,040	2,887	4,154	5,033	5,571
Common Stock	381	510	918	964	964
Capital Surplus	173	1,722	1,722	1,722	1,722
Retained Earnings	486	655	1,514	2,348	2,885
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Securities (Thailand) estimates

Key Assumptions & Ratios

Year to 31 Dec	2011	2012	2013	2014F	2015F
Growth (% YoY)					
Sales	412.8	881.7	226.7	(24.0)	4.8
OP	4,098.9	143.9	406.9	0.9	10.4
EBITDA	315.5	(6.7)	301.4	9.2	13.4
NP	421.7	(47.4)	586.1	(3.8)	8.2
EPS	379.4	(75.7)	198.7	(8.4)	8.2
Profitability (%)					
Gross Margin	80.4	19.6	27.4	36.5	38.4
Operating Margin	66.4	16.5	25.6	34.0	35.8
EBITDA Margin	244.8	23.3	28.6	41.1	44.5
Net Profit Margin	183.5	9.8	20.7	26.1	27.0
ROAA	13.7	3.2	15.1	11.4	9.7
ROAE	62.7	10.9	41.6	30.6	28.7
Stability					
Gross Debt/Equity (%)	298.3	148.4	128.2	141.0	190.3
Net Debt/Equity (%)	295.5	110.4	104.5	135.5	185.7
Interest Coverage (x)	1.7	2.4	9.9	8.0	6.3
Interest & ST Debt Coverage (x)	0.1	0.2	1.4	1.8	0.8
Cash Flow Interest Coverage (x)	(36.9)	(12.0)	(5.8)	(8.0)	(8.0)
Cash Flow/Interest & ST Debt (x)	(1.7)	(1.0)	(0.8)	(1.8)	(1.0)
Current Ratio (x)	0.0	0.7	0.4	0.2	0.1
Quick Ratio (x)	0.0	0.7	0.4	0.2	0.1
Net Debt (Bt mn)	3,071	3,189	4,340	6,819	10,346.1
Per Share Data (Bt)					
EPS	2.2	0.5	1.6	1.5	1.6
CFPS	(17.1)	(4.5)	(1.1)	(1.9)	(2.6)
BVPS	5.6	7.2	4.5	5.2	5.8
SPS	1.2	5.4	7.7	5.6	5.9
EBITDA/Share	2.9	1.3	2.2	2.3	2.6
DPS	0.0	0.0	0.5	0.7	1.0
Activity					
Asset Turnover (x)	0.0	0.3	0.6	0.4	0.3
Days Receivables	17.0	3.5	2.5	3.5	4.7
Days Inventory	0.0	0.0	0.0	0.0	0.0
Days Payable	6,318.7	135.1	79.7	126.0	130.0
Cash Cycle	(6,301.7)	(131.7)	(77.3)	(122.5)	(125.3)

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
Sales	221	2,169	7,085	5,382	5,642
Cost of Goods Sold	43	1,743	5,141	3,415	3,477
Gross Profit	178	426	1,945	1,967	2,165
Operating Expenses	31	68	132	138	145
Operating Profit	147	358	1,813	1,829	2,019
Net Interest	(85)	(147)	(175)	(224)	(315)
Interest Income	1	2	8	3	3
Interest Expense	86	149	183	227	318
Net Investment Income/(Loss)	11	34	60	102	134
Net other Non-op. Income/(Loss)	358	8	15	52	65
Net Extraordinaries	22	0	0	0	0
Pretax Income	430	253	1,712	1,759	1,904
Income Taxes	3	40	249	352	381
Net Profit	405	213	1,463	1,407	1,523
EBITDA	541	504	2,025	2,212	2,508
EPS (Bt)	2.19	0.53	1.59	1.46	1.58

Source: Company data; KGI Securities (Thailand) estimates

Cash Flow

Year to 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
Operating Cash Flow	1,220	(43)	2,440	1,526	1,905
Net Profit	405	213	1,463	1,407	1,523
Depreciation & Amortization	25	105	137	229	290
Change in Working Capital	789	(361)	839	(110)	92
Others	0	0	0	0	0
Investment Cash Flow	(4,381)	(1,752)	(3,495)	(3,353)	(4,447)
Net CAPEX	(4,381)	(1,232)	(2,648)	(2,691)	(3,769)
Change in LT Investment	(0)	(389)	(848)	(662)	(678)
Change in Other Assets	0	(131)	0	0	0
Free Cash Flow	(3,161)	(1,795)	(1,055)	(1,826)	(2,542)
Financing Cash Flow	3,161	2,861	943	1,123	2,518
Change in Share Capital	383	1,678	408	46	0
Net Change in Debt	2,778	1,183	1,040	1,775	3,503
Change in Other LT Liab.	0	0	(504)	(698)	(985)
Net Cash Flow	0	1,066	(112)	(703)	(25)

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	19.6%	11.5%	2.5%	66.4%
2012	80.4%	4.8%	-1.7%	16.5%
2013	72.6%	1.9%	-0.1%	25.6%
2014F	63.5%	4.3%	-1.7%	34.0%
2015F	61.6%	5.1%	-2.6%	35.8%

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	-3.1	22.0	0.2	0.1
2012	-0.1	2.8	0.0	0.4
2013	-0.1	1.2	0.0	0.9
2014F	-0.2	2.0	0.0	0.5
2015F	-0.2	2.6	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%
2013	25.6%	0.9	85.5%	20.5%
2014F	34.0%	0.5	80.0%	14.6%
2015F	35.8%	0.4	80.0%	12.0%

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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	Not Rated (NR)	The stock is not rated by KGI Securities.
	Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.
		<i>* Excess return = 12M target price/current price-1</i>
	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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