



## WHA Corporation (WHA.BK/WHA TB)\*

Recurring income focus

**Bt29.50**
**Outperform**

Maintained

**Result analyzed  
Company update**

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- **Expect recurring income from rental to continue growing**
- **1Q14 earnings dropped due to no asset sales**
- **Maintain 2014 earnings forecast of Bt1.4bn**
- **Rate Outperform with target price of Bt36.50**

### Maintain Outperform; target price Bt36.50

With on-going warehouse expansion, we expect WHA's recurring income from rental to continue to grow. While its 1Q14 earnings dropped due to no asset sales, we expect the company to book a large amount of revenue from asset sales of Bt4.6bn in 4Q14, driving 2014 earnings to our forecast of Bt1.4bn. We maintain a rating of Outperform on WHA with a target price of Bt36.50.

### Earnings dropped in 1Q14 as no asset sales; rental income still up

WHA reported earnings of Bt32mn, down 94.6% YoY and 97.5% QoQ. The main reason is that there are no asset sales to WHAPF in 1Q14 while WHA sold its assets twice last year in 1Q14 and 4Q14. If we exclude income from asset sales, rental and service revenue increased 20.3% YoY to Bt116mn. Gross profit from rental and service increased 39.2% YoY to Bt78.8mn.

### Earnings to peak in 4Q14; maintain full-year earnings forecast of Bt1.4bn

We expect revenue and profit from rental to continue increasing during the year with an ongoing warehouse expansion plan of 300K sqm while there is no plan for assets sales until 4Q14. Earnings should peak in 4Q14 as WHA plans to monetize its assets during 4Q14 with a value of Bt4.6bn and the gross profit margin from asset sales is targeted at around 30%.

### Sales and lease-back agreement under negotiation

WHA also plans to buy some assets from merchandisers who already built their own warehouses but do not want to hold their warehouses on their balance sheets. WHA would buy these warehouses from the merchandiser and let them lease the warehouse back. The merchandiser would benefit as they do not have to lose the opportunity cost of holding the fixed asset which is not their core business while WHA would operate these warehouses under its warehouse management expertise. Sales and lease-back agreement would shorten the time for warehouse construction for WHA; driving faster growth of leasable area.

### Solar rooftop COD in May

The solar rooftop project of 4.28 MW started its commercial operation in May via its 75% owned subsidiaries with Gunkul Engineering (GUNKUL.BK/GUNKUL TB). As we estimated, the NPV of this project is worth Bt0.04/MW; therefore, the project value of 4.28MW would be worth only Bt0.17 for each WHA share which is not yet significant. However, the future value could be more significant as WHA has roof area of 1mn sqm that could build a solar rooftop with total capacity 80 MW.

### Valuation and Recommendation

With the continued growth of recurring income, we reiterate our rating of Outperform 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	5.2	13.5	-	62.7
2012	19.6	62.7	4.1	55.3	-	10.9
2013	27.4	16.2	6.5	18.5	1.9	41.6
2014F	36.5	15.9	5.6	20.2	2.5	30.6
2015F	38.4	15.5	5.1	18.7	3.5	28.7
Sector	Property and Construction					52-week trading range (Bt)
12M target price (Bt/shr)	36.50					Mkt cap-Bt bn/US\$ bn
Upside/downside (%)	23.7					Outstanding shares (mn)
The percentile of excess return (%)	66.7					Free floating shares (mn)
Dividend yield-12/14F (%)	2.5					Foreign ownership (mn)
Book value/shr-12/14F (Bt)	5.2					3M avg. daily trading (mn)
P/B-12/14F (x)	5.6					Abs. performance (3,6,12M)(%)
Net debt/equity-12/14F (%)	135.5					Rel. performance (3,6,12M)(%)
						-9.9; -18.1; -48
						-15.9; -21.8; -44.4

Figure 1: 1Q14 earnings result

Bt mn	1Q14	1Q13	YoY (%)	4Q13	QoQ (%)	Comment
Sales and services	116	2,143	(94.6)	4,696	(97.5)	Decreased as there was no asset sale
Cost of sales	37	1,962	(98.1)	3,099	(98.8)	
Gross profit	79	180	(56.3)	1,597	(95.1)	
SG&A	28	21	35.9	47	(40.6)	
Operating profit	51	160	(68.1)	1,550	(96.7)	
Interest expenses	48	37	29.2	63	(24.2)	
Net profit	32	122	(74.0)	1,291	(97.5)	In-line
EPS (Bt)	0.03	0.19	(82.7)	1.41	(97.7)	
Percent	1Q14	1Q13	YoY (ppts)	4Q13	QoQ (ppts)	
Gross margin	67.9	8.4	59.5	34.0	33.9	GPM is higher as rental margin is high
SG&A to sales	24.0	1.0	23.1	1.0	23.0	
Operating margin	43.9	7.5	36.5	33.0	10.9	
Net margin	27.4	5.7	21.7	27.5	(0.1)	

Source: Company data

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


**Balance Sheet**

As of 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
<b>Total Assets</b>	5,188	8,298	11,049	13,685	17,838
<b>Current Assets</b>	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
<b>Non-current Assets</b>	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
<b>Total Liabilities</b>	4,148	5,410	6,895	8,651	12,267
<b>Current Liabilities</b>	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
<b>Long-term Liabilities</b>	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
<b>Shareholders' Equity</b>	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
<b>Growth (% YoY)</b>					
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
<b>Profitability (%)</b>					
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
<b>Stability</b>					
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
<b>Per Share Data (Bt)</b>					
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
<b>Activity</b>					
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
<b>Sales</b>	221	2,169	7,085	5,382	5,642
Cost of Goods Sold	43	1,743	5,141	3,415	3,477
<b>Gross Profit</b>	178	426	1,945	1,967	2,165
Operating Expenses	31	68	132	138	145
<b>Operating Profit</b>	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
<b>Net Profit</b>	405	213	1,463	1,407	1,523
EBITDA	541	504	2,025	2,212	2,508
<b>EPS (Bt)</b>	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
<b>Operating Cash Flow</b>	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
<b>Investment Cash Flow</b>	(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
<b>Free Cash Flow</b>	(3,161)	(1,795)	(1,055)	(1,826)	(2,542)
<b>Financing Cash Flow</b>	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)
<b>Net Cash Flow</b>	0	1,066	(112)	(703)	(25)

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%	11.5%	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/ $\frac{\text{Working Capital Revenue}}{\text{Revenue}}$	+ $\frac{\text{Net PPE Revenue}}{\text{Revenue}}$	+ $\frac{\text{Other Assets Revenue}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2011	-3.1	22.0	0.2	0.1
2012	-0.1	2.8	0.0	0.4
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

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<b>Thailand Research</b>	<b>Name</b>	<b>Abbr.</b>	<b>Sector Coverage</b>	<b>Ext.</b>	<b>Email</b>
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	Rakpong Chaisuparakul	RC	Strategist	8845	rakpongc@kgi.co.th
	Adisak Kammool	AK	Retail strategist	8843	adisakk@kgi.co.th
	Kingpai Koosakulnirund	KK	Soft commodity, shipping, small caps	8857	kingpaik@kgi.co.th
	Nat Panassutrakorn	NP	Construction material, contractor, consumer	8849	natp@kgi.co.th
	Pragrom Pathomboorn	PP	Economist	8846	pragromp@kgi.co.th
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	Suthep Amrit Singh	SS	Food, hotel, land and air transport	8852	suthepa@kgi.co.th
	Suchot Tirawannarat	ST	Automobile, small caps	8850	suchott@kgi.co.th
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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).
	Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 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.
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		<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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