



# WHA Corporation

(WHA.BK/WHA TB)\*

## Outperform Maintained

Price as of 13 Aug 2014	35.75
12M target price (Bt/shr)	41.00
Unchanged / Revised up (down) (%)	Unchanged
Upside/downside (%)	14.69

### Key messages

WHA announced 2Q14 earnings of Bt28mn, up 26.1% YoY but down 11.8% QoQ. The earnings growth was in-line with growth in leasable area. The tone of the analyst meeting yesterday was also positive. Management reaffirmed the good outlook of the sector and WHA's earnings. The guidance from management was more concrete that the expansion into Indonesia is in the pipeline. We reiterate rating of Outperform on WHA with a target price of Bt41.00.

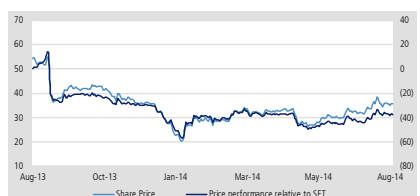
### Trading data

Mkt cap (Bt bn/US\$mn)	34.5 / 1.1		
Outstanding shares (mn)	964		
Foreign ownership (mn)	114		
3M avg. daily trading (mn)	5		
52-week trading range (Bt)	20.3-55.0		
Performance (%)	3M	6M	12M
Absolute	30.0	25.4	-35.0
Relative	17.4	6.5	-38.5

### Quarterly EPS

Bt	Q1	Q2	Q3	Q4
2012	0.36	0.02	0.02	0.04
2013	0.19	0.04	0.03	1.40
2014	0.03	0.03	N.A.	N.A.

### Share price chart



Source: SET

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See last page for the important disclosures

## Strategic expansion for the upcoming AEC

### Event

WHA announced 2Q14 earnings of Bt28mn, up 26.1% YoY but down 11.8% QoQ. At the company's analyst meeting yesterday, the overall tone was positive. Management reaffirmed the good outlook of the sector and WHA's earnings.

### Impact

#### 2Q14 earnings growth with leasable area; full-year forecast maintained

WHA announced 2Q14 earnings of Bt28mn, up 26.1% YoY but down 11.8% QoQ. The increase in earnings was from increased revenue which was higher from leasable area growth. The current leasable area under WHA was recorded at 349K sqm, up 15.6% from 2Q13. We expect recurring income from rental, management income and dividend from property fund to continue growing with the area expansion. Furthermore, WHA is expected to book a large gain from asset monetization during 4Q14. We maintain our 2014 full-year earnings forecast of Bt1.48bn.

#### New area in South Bangkok Zone for cold storage warehouse

WHA plans to expand to a new area in the Outer South Bangkok Zone (Samut Sakorn) which is a suitable logistic hub for a cold storage warehouse. Its current land bank in the Outer South Bangkok Zone is 58 rais, or equivalent to around 60K sqm warehouse area. In our view, the expansion into the new area is a good strategy for WHA to diversify its location and this would attract new customers and also fill-in the demand of current customers who want to expand their warehouses into this area. A cold-storage warehouse also adds more value to the project as the rental rate would be higher than the normal-type warehouse.

#### Concrete plan for overseas expansion in Indonesia

Management also gave more concrete guidance on its strategy to grow with the AEC that it would be expanding into Indonesia. The total size of the project would be around 30K sqm in sales-and-leaseback term, consisting of already-built factory owned by its customer of around 20K sqm and warehouse that WHA is constructing of around 10Ksqm.

### Valuation & Action

With the bright outlook to continue and concrete plan to expand into new areas in Thailand and overseas, we reiterate a rating of Outperform on WHA with a target price of Bt41.00.

### Risks

Project delays and slower-than-expected private investment growth.

### Key financials and valuations

	2011	2012	2013	2014 F	2015 F
Revenue (Btm n)	221	2,169	7,085	5,350	6,104
Gross Profit (Btm n)	178	426	1,945	2,047	2,337
EBIT (Btm n)	166	402	1,896	2,136	2,496
Net Profit (Btm n)	405	212	1,463	1,478	1,713
EPS (Bt)	2.2	0.5	1.6	1.5	1.8
DPS (Bt)	0.0	0.0	1.1	1.1	1.2
EPS Growth (%)	379.4	(75.8)	200.0	(3.8)	15.9
P/E (X)	16.3	67.3	22.4	23.3	20.1
P/B (X)	6.4	4.9	7.9	6.8	6.0
EV/EBITDA (X)	13.0	74.3	19.1	18.0	16.2
Net Debt to Equity (%)	295.5	110.4	104.5	170.4	198.4
Dividend Yield (%)	0.0	0.0	3.2	3.0	3.5
Return on Average Equity (%)	62.7	10.8	41.6	31.9	31.5

Source: Company data; KGI Research

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

<http://research.kgi.com>; Bloomberg: KGIT <GO>

Please see back page for disclaimer

**Figure 1: 2Q14 earnings summary**

Bt mn	2Q14	2Q13	YoY (%)	1Q14	QoQ (%)	Comment
Sales and services	121	107	14.0	116	4.7	Increase with growth in leasable area
Cost of sales	37	34	7.0	37	(1.3)	
Gross profit	85	72	17.2	79	7.5	
SG&A	34	31	12.1	28	22.7	
Other operating income	31	19	64.4	33	(4.9)	
Operating profit	82	61	34.6	84	(2.4)	
EBITDA	113	98	15.0	113	0.0	
Interest expenses	50	36	40.6	48	5.0	Increase with bond issuance
Corporate income tax	1	3	(53.5)	1	(10.5)	
<b>Net profit</b>	<b>28</b>	<b>22</b>	<b>26.1</b>	<b>32</b>	<b>(11.8)</b>	<b>Increase with revenue</b>
EPS (Bt)	0.03	0.04	(25.0)	0.03	0.0	
Percent	2Q14	2Q13	YoY (ppts)	1Q14	QoQ (ppts)	
Gross margin	69.8	67.8	2.0	67.9	1.8	Slightly higher as a result of discontinuing depreciation of projects to be sold
SG&A to sales	28.2	28.7	(0.5)	24.0	4.1	
Operating margin	67.2	56.9	10.3	72.1	(4.9)	
EBITDA margin	0.0	0.0	0.0	0.0	(0.0)	
Net margin	23.1	20.8	2.2	27.4	(4.3)	

Source: KGI Research

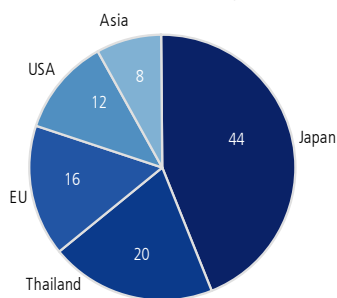
**Figure 2: Company overview**

WHA Corporation (WHA) develops and rents out warehouses, distribution centers, factories and office buildings. Projects consist of the customized requirements project (Built-to-Suit) and high standard project (General Warehouse). Furthermore, WHA has a policy to sell assets to the property fund and REIT continuously. WHA has also been appointed to be the property manager for the property fund and REIT.

Source: Company data; KGI Research

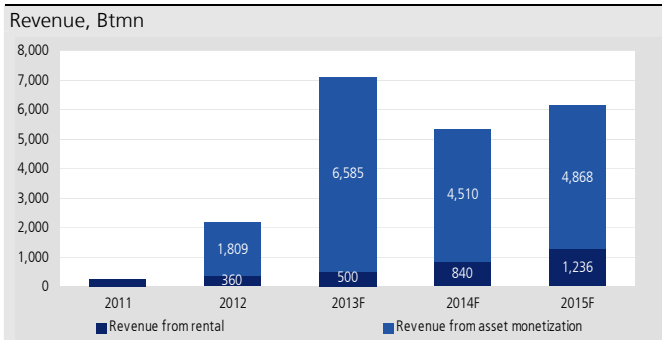
**Figure 4: Customer breakdown by region**

Customer breakdown (as of June 30, 2014), percent



Source: Company data; KGI Research

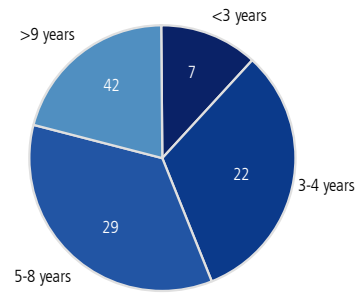
**Figure 6: Revenue**



Source: Company data; KGI Research

**Figure 3: Rental contract term breakdown**

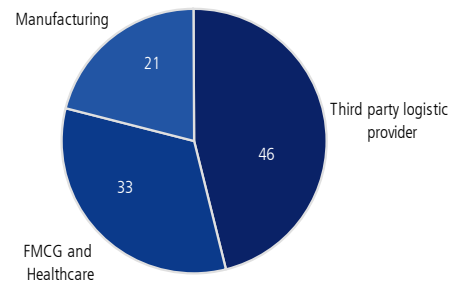
Rental contract term breakdown (as of June 30, 2014), percent



Source: Company data; KGI Research

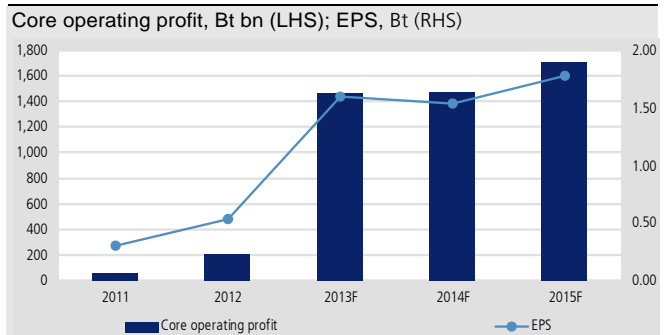
**Figure 5: Customer breakdown by industry**

Customer breakdown (as of June 30, 2014), percent



Source: Company data; KGI Research

**Figure 7: Operating profit and EPS**



Source: Company data; KGI Research

**Quarterly Income Statement**

(Bt mn)	Mar-12A	Jun-12A	Sep12A	Dec12A	Mar-13A	Jun-13A	Sep13A	Dec13A	Mar-14A	Jun-14A
<b>Sales</b>	<b>1,894</b>	<b>72</b>	<b>84</b>	<b>118</b>	<b>2,143</b>	<b>107</b>	<b>140</b>	<b>4,696</b>	<b>116</b>	<b>121</b>
Cost of Goods Sold	1,642	33	27	42	1,962	34	45	3,099	37	37
<b>Gross Profit</b>	<b>253</b>	<b>40</b>	<b>56</b>	<b>77</b>	<b>180</b>	<b>72</b>	<b>95</b>	<b>1,597</b>	<b>79</b>	<b>85</b>
Other Operating Income	6	12	12	15	22	19	18	25	33	31
Operating Expenses	20	12	14	23	21	31	34	47	28	34
<b>Operating EBIT</b>	<b>239</b>	<b>40</b>	<b>54</b>	<b>69</b>	<b>181</b>	<b>61</b>	<b>79</b>	<b>1,575</b>	<b>84</b>	<b>82</b>
Depreciation and Amortisation	32	23	20	29	20	38	34	46	29	32
<b>Operating EBITDA</b>	<b>270</b>	<b>64</b>	<b>75</b>	<b>98</b>	<b>201</b>	<b>98</b>	<b>113</b>	<b>1,622</b>	<b>113</b>	<b>113</b>
<b>Non-Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest Income	0	0	0	0	0	0	0	0	0	0
Other Non-op Income	0	0	0	0	0	0	0	0	0	0
<b>Non-Operating Expenses</b>	<b>36</b>	<b>29</b>	<b>36</b>	<b>48</b>	<b>37</b>	<b>36</b>	<b>47</b>	<b>63</b>	<b>48</b>	<b>50</b>
Interest Expenses	36	29	36	48	37	36	47	63	48	50
Other Non-op Expenses	0	0	0	0	0	0	0	0	0	0
<b>Net Investment Income/(Loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(3)</b>	<b>(2)</b>
<b>Pretax Income</b>	<b>203</b>	<b>11</b>	<b>18</b>	<b>21</b>	<b>145</b>	<b>25</b>	<b>32</b>	<b>1,511</b>	<b>33</b>	<b>29</b>
Current Taxation	37	4	3	(4)	23	3	2	221	1	1
Minorities	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>166</b>	<b>7</b>	<b>15</b>	<b>24</b>	<b>122</b>	<b>22</b>	<b>30</b>	<b>1,290</b>	<b>32</b>	<b>28</b>
EPS (Bt)	0.36	0.02	0.02	0.04	0.19	0.04	0.03	1.40	0.03	0.03
<b>Margins</b>										
Gross profit margin	13.3%	55.0%	67.3%	65.0%	8.4%	67.8%	68.0%	34.0%	67.9%	69.8%
Operating EBIT margin	12.6%	55.8%	65.0%	58.1%	8.5%	56.9%	56.6%	33.5%	72.1%	67.2%
Operating EBITDA margin	14.3%	88.1%	89.0%	82.9%	9.4%	92.3%	80.7%	34.5%	97.5%	93.2%
Net profit margin	8.8%	9.9%	17.7%	20.5%	5.7%	20.8%	21.3%	27.5%	27.4%	23.1%
<b>Growth</b>										
Revenue growth	N.A	N.A	N.A	N.A	13.1%	47.0%	67.1%	3865.7%	-94.6%	14.0%
Operating EBIT growth	N.A	N.A	N.A	N.A	-24.0%	50.1%	45.6%	2188.5%	-53.9%	34.6%
Operating EBITDA growth	N.A	N.A	N.A	N.A	-25.6%	54.0%	51.5%	1551.0%	-43.8%	15.0%
Net profit growth	N.A	N.A	N.A	N.A	-26.6%	210.3%	101.4%	5209.9%	-74.0%	26.1%

Source: Company data; KGI Research

**Balance Sheet**

As of 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
<b>Total Assets</b>	5,188	8,298	11,049	15,664	19,276
<b>Current Assets</b>	100	1,569	1,107	516	571
Cash & ST Investments	29	1,095	983	300	329
Inventories	0	0	0	0	0
Accounts Receivable	10	21	48	55	80
Others	60	453	75	162	162
<b>Non-current Assets</b>	5,088	6,729	9,942	15,148	18,705
LT Investments	177	653	1,400	2,018	2,591
Net fixed Assets	4,862	5,989	8,500	13,088	16,072
Others	49	86	42	42	42
<b>Total Liabilities</b>	4,148	5,410	6,895	10,560	13,494
<b>Current Liabilities</b>	2,571	2,386	2,530	2,194	3,697
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	218	288
<b>Long-term Liabilities</b>	1,577	3,025	4,365	8,366	9,797
Long-term Debts	1,340	2,605	4,202	8,202	9,632
Others	237	419	164	164	165
<b>Shareholders' Equity</b>	1,040	2,887	4,154	5,104	5,783
Common Stock	381	510	918	964	964
Capital Surplus	173	1,722	1,722	1,722	1,722
Retained Earnings	486	655	1,514	2,419	3,097
Preferred Stock	0	0	0	0	0

Source: KGI Research

**Key Ratios**

Year to 31 Dec	2011	2012	2013	2014F	2015F
<b>Growth</b>					
Sales	412.8%	881.7%	226.7%	-24.5%	14.1%
OP	4325.5%	142.5%	371.4%	12.6%	16.8%
EBITDA	5004.7%	164.9%	301.3%	17.7%	18.3%
NP	421.7%	-47.6%	589.0%	1.0%	15.9%
EPS	379.4%	-75.8%	200.0%	-3.8%	15.9%
<b>Profitability</b>					
Gross Margin	80.4%	19.6%	27.4%	38.3%	38.3%
Operating Margin	75.1%	18.5%	26.8%	39.9%	40.9%
EBITDA Margin	86.6%	23.4%	28.7%	44.7%	46.4%
Net Profit Margin	183.5%	9.8%	20.7%	27.6%	28.1%
ROAA	13.7%	3.2%	15.1%	11.1%	9.8%
ROAE	62.7%	10.8%	41.6%	31.9%	31.5%
<b>Stability</b>					
Gross Debt/Equity	298.3%	148.4%	128.2%	176.3%	204.1%
Net Debt/Equity	295.5%	110.4%	104.5%	170.4%	198.4%
Interest Coverage (x)	1.9	2.7	10.4	7.4	7.0
Interest & ST Debt Coverage (x)	0.1	0.2	1.5	2.0	1.0
Cash Flow Interest Coverage (x)	(36.9)	(11.2)	(5.8)	(12.9)	(4.9)
Cash Flow/Interest & ST Debt (x)	(1.7)	(0.9)	(0.8)	(3.4)	(0.7)
Current Ratio (x)	0.0	0.7	0.4	0.2	0.2
Quick Ratio (x)	0.0	0.7	0.4	0.2	0.2
Net Debt (Bt mn)	3,071	3,189	4,340	8,699	11,472.8
<b>Per Share Data</b>					
EPS (Bt)	2.2	0.5	1.6	1.5	1.8
CFPS (Bt)	(17.1)	(4.2)	(1.1)	(3.8)	(1.8)
BVPS (Bt)	5.6	7.2	4.5	5.3	6.0
SPS (Bt)	1.2	5.4	7.7	5.5	6.3
EBITDA/Share (Bt)	1.0	1.3	2.2	2.5	2.9
DPS (Bt)	0.0	0.0	1.1	1.1	1.2
<b>Activity</b>					
Asset Turnover	0.0	0.3	0.6	0.3	0.3
Days Receivables	17.0	3.5	2.5	3.7	4.8
Days Inventory	0.0	0.0	0.0	0.0	0.0
Days Payable	6,318.7	135.1	79.7	130.4	120.0
Cash Cycle	(6,301.7)	(131.7)	(77.3)	(126.6)	(115.2)

Source: KGI Research

**Profit & Loss**

Year to 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
<b>Sales</b>	221	2,169	7,085	5,350	6,104
Cost of Goods Sold	43	1,743	5,141	3,302	3,768
<b>Gross Profit</b>	178	426	1,945	2,047	2,337
Other Operating Income	19	45	84	227	304
Operating Expenses	31	68	132	138	145
<b>Operating EBIT</b>	166	402	1,896	2,136	2,496
Depreciation and Amortisation	25	105	137	258	336
<b>Operating EBITDA</b>	191	507	2,034	2,394	2,832
<b>Non-Operating Income</b>	350	0	0	0	0
Interest Income	0	0	0	0	0
Other Non-op Income	350	0	0	0	0
<b>Non-Operating Expenses</b>	86	149	183	288	354
Interest Expenses	86	149	183	288	354
Other Non-op Expenses	0	0	0	0	0
<b>Net Investment Income/(Loss)</b>	0	0	(1)	0	0
<b>Pretax Income</b>	430	253	1,712	1,848	2,142
Current Taxation	3	41	249	370	428
Minorities	22	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>Net Profit</b>	405	212	1,463	1,478	1,713
EPS (Bt)	2.19	0.53	1.59	1.53	1.78

Source: KGI Research

**Cash Flow**

Year to 31 Dec (Bt mn)	2011	2012	2013	2014F	2015F
<b>Operating Cash Flow</b>	1,220	(44)	2,440	1,633	2,154
Net Profit	405	212	1,463	1,478	1,713
Depreciation & Amortization	25	105	137	258	336
Change in Working Capital	789	(361)	839	(103)	105
Others	0	0	0	0	0
<b>Investment Cash Flow</b>	(4,381)	(1,621)	(3,495)	(5,340)	(3,893)
Net CAPEX	(4,381)	(1,232)	(2,648)	(4,847)	(3,320)
Change in LT Investment	(0)	(389)	(848)	(493)	(574)
Change in Other Assets	0	0	0	0	0
<b>Free Cash Flow</b>	(3,161)	(1,665)	(1,055)	(3,707)	(1,739)
<b>Financing Cash Flow</b>	3,161	2,731	943	3,023	1,768
Change in Share Capital	383	1,678	408	46	0
Net Change in Debt	2,778	1,183	1,040	3,675	2,803
Change in Other LT Liab.	0	(130)	(504)	(698)	(1,035)
<b>Net Cash Flow</b>	0	1,066	(112)	(683)	29

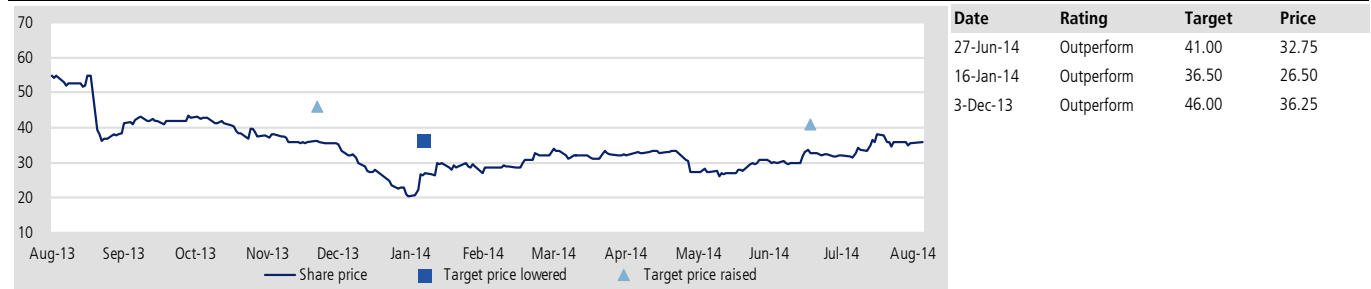
Source: KGI Research

**Rates of Return on Invested Capital**

Year	1 - $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= <b>Operating Margin</b>
2011	8.1%	11.5%	14.1%	66.4%
2012	75.5%	4.8%	3.1%	16.5%
2013	70.6%	1.9%	1.9%	25.6%
2014F	56.9%	4.8%	2.6%	35.7%
2015F	56.2%	5.5%	2.4%	35.9%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= <b>Capital Turnover</b>
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	2.4	0.0	0.4
2015F	-0.2	2.6	0.0	0.4
Year	<b>Operating Margin</b>	x $\frac{\text{Capital Turnover}}{\text{Revenue}}$	x $\frac{\text{Cash Tax Rate}}{\text{Revenue}}$	= <b>After-tax Return on Inv. Capital</b>
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	35.7%	0.4	80.0%	12.6%
2015F	35.9%	0.4	80.0%	11.6%

Source: KGI Research

**WHA Corporation – Recommendation & target price history**



Source: KGI Research

**KGI Locations**

<b>China</b>	Shanghai	Room 1907-1909 , Tower A, No. 100 Zunyi Road, Shanghai, PRC 200051
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
<b>Taiwan</b>	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
<b>Hong Kong</b>		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
<b>Thailand</b>	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014

**KGI's Ratings**

Rating	Definition
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. Taiwan).
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. Taiwan).1.3
Under perform (U)	The stock's excess return* over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
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-</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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