

BUY (Unchanged) **TP: Bt 43.00** (Unchanged)

New Information **Upside: 9.6%**



WHA Corporation Pcl (WHA TB)

WHA plans HEMRAJ takeover

WHA has announced the acquisition of at least 50% in HEMRAJ by buying a 22.5% stake from the major shareholders and also doing a voluntary tender offer. We see this deal as value-accretive to WHA's shareholders despite the cash call. We estimate that the profit contribution from HEMRAJ outweighs the share dilution effect. Maintain BUY call on WHA.



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Offers to buy at least a 50% stake in HEMRAJ

WHA announced yesterday its plan to acquire Hemaraj Land & Development (HEMRAJ TB) for Bt4.5/share (the same as our TP for HEMRAJ). WHA plans to buy a total of a 22.53% stake from HEMRAJ's major shareholders who want to exit the business and has offered to do a voluntary tender offer in the hope of getting at least a total 50% stake to have management control. If WHA cannot obtain 50%, the deal would fall through. But WHA is very confident of getting over 50% and hopes to get a 60-70% stake in HEMRAJ. The tender offer process should take place in February to March next year and the transaction is due to be completed by end-March 2015.

Funding sources

WHA (Bt36bn market cap) is a smaller company than HEMRAJ (Bt43bn). WHA plans a rights issue (no details yet) of Bt8.8bn and a larger amount in bank loans to fund the deal. As part of the loans, WHA plans a two-year bridging loan which would in part be refinanced into long-term loans and repaid by non-core asset divestment and internal cash flow. We roughly estimate that even if WHA could get 100% of HEMRAJ's shares, its net D/E ratio would be at just about the ceiling of its debt covenant of 2.5x.

Expected synergies

WHA aims to be the No.1 total solutions provider in the industrial estate value chain. Thus, it wants to acquire HEMRAJ which is No.1 in the industrial land sales business with a proven execution track record. We see this as a synergistic acquisition. **First**, WHA is a warehouse-for-rent business expert and we believe it could better utilize HEMRAJ's rental assets, which were only 46%-utilized in 2Q14. **Second**, WHA could tap into HEMRAJ's strong land sales client base and offer them warehouse management services. HEMRAJ has a strong foothold in the petrochemical, auto and electronics sectors. **Third**, HEMRAJ has high and rising recurring income (power, utilities) which would help balance WHA's more cyclical income.

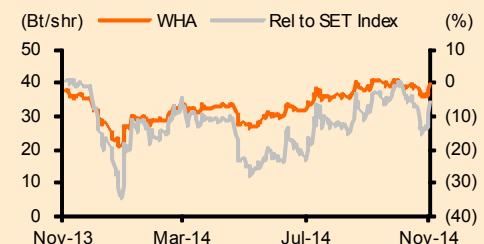
Value-accretive deal; reiterate BUY

By assuming a 50-100% acquisition in HEMRAJ, we see the deal as value-accretive to WHA's shareholders. On our calculations, the increasing profit contribution from HEMRAJ would outweigh the share dilution effect. Note that HEMRAJ's forecast profit (Bt3.3bn) in 2014 is more than double WHA's (Bt1.5bn). We estimate that EPS after the acquisition and capital increase would still increase by 23-47% in 2015 (at a 50-100% acquired stake), 29-61% in 2016 and 39-86% from 2017 onward. Meanwhile, WHA's intrinsic value would rise from Bt43.0 to Bt47-68.5/share. This deal looks very attractive to us, both in terms of strategic benefits to WHA over the long term while providing value accretion to WHA's shareholders' wealth. We reiterate our BUY call on WHA with a 12-month DCF-based TP of Bt43.0/share.

COMPANY VALUATION

Y/E Dec (Bt m)	2013A	2014F	2015F	2016F
Sales	7,085	5,247	6,753	7,348
Net profit	1,463	1,507	1,814	2,102
Consensus NP	—	1,437	1,635	1,928
Diff frm cons (%)	—	4.9	11.0	9.0
Norm profit	1,463	1,507	1,814	2,102
Prev. Norm profit	—	1,507	1,814	2,102
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	1.5	1.6	1.9	2.2
Norm EPS grw (%)	432.8	2.0	20.2	15.9
Norm PE (x)	25.6	25.1	20.9	18.0
EV/EBITDA (x)	21.6	21.6	17.0	15.4
P/BV (x)	9.1	7.6	6.3	5.3
Div yield (%)	1.9	1.9	2.3	2.7
ROE (%)	40.7	33.1	33.2	32.1
Net D/E (%)	114.5	177.9	174.7	168.8

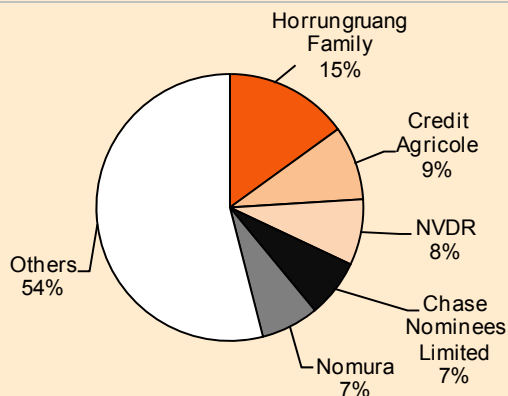
PRICE PERFORMANCE



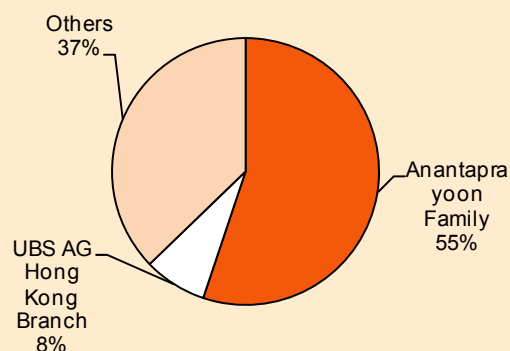
COMPANY INFORMATION

Price as of 17-Nov-14 (Bt)	39.25
Market cap (US\$ m)	1,154.0
Listed shares (m shares)	963.9
Free float (%)	24.4
Avg daily turnover (US\$ m)	3.8
12M price H/L (Bt)	40.75/19.33
Sector	Industrial Estate
Major shareholder	WHA Holding Co Ltd 25.1%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Shareholder Structure - HEMRAJ

Source: SET

Ex 2: Shareholder Structure - WHA

Source: SET

Ex 3: Valuation - HEMRAJ

Y/E Dec (Bt m)	2013A	2014F	2015F	2016F
Sales	8,770	7,892	8,130	8,492
Net profit	4,338	3,310	3,474	3,651
Norm profit	2,866	3,310	3,474	3,651
Norm EPS (Bt)	0.3	0.3	0.4	0.4
Norm EPS grw (%)	28.6	15.5	4.9	5.1
Norm PE (x)	15.0	13.0	12.4	11.8
EV/EBITDA (x)	14.7	16.0	15.0	13.8
P/BV (x)	3.2	2.8	2.5	2.3
Div yield (%)	3.8	3.8	4.0	4.2
ROE (%)	23.9	23.1	21.6	20.4
Net D/E (%)	62.4	56.4	50.1	43.3

Sources: Company data, Thanachart estimates

Ex 4: Valuation - WHA

Y/E Dec (Bt m)	2013A	2014F	2015F	2016F
Sales	7,085	5,247	6,753	7,348
Net profit	1,463	1,507	1,814	2,102
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Sources: Company data, Thanachart estimates

Ex 5: % of EPS Accretion Under Each Scenario

	Scenario 1	Scenario 2	Scenario 3
% acquisition in HEMRAJ	50	75	100
HEMRAJ's total shares outstanding (m shares)	9,705	9,705	9,705
Purchase price (Bt/share)	4.5	4.5	4.5
Total investment (Bt m)	21,837	32,755	43,673
Sources of funds (Bt m)			
- Debt	60%	73%	80%
- Capital increase *	40%	27%	20%
WHA's existing earnings (Bt m)			
- 2015F	1,814	1,814	1,814
- 2016F	2,102	2,102	2,102
Add: Profit contribution from HEMRAJ (Bt m)			
- 2015F	1,303	1,954	2,605
- 2016F	1,825	2,738	3,651
Deduct: Increasing interest expense (Bt m)			
- 2015F	525	1,006	1,487
- 2016F	612	1,204	1,796
Net profit after acquisition (Bt m)			
- 2015F	2,687	2,944	3,202
- 2016F	3,426	3,855	4,283
EPS- Current (Bt/share)			
- 2015F	1.9	1.9	1.9
- 2016F	2.2	2.2	2.2
EPS after acquisition (Bt/share)			
- 2015F	2.3	2.5	2.8
- 2016F	2.8	3.2	3.5
Accretive/dilutive EPS (%)			
- 2015F	23%	35%	47%
- 2016F	29%	45%	61%
WHA Intrinsic value (Bt/share)	47.0	56.50	68.50
Net D/E after acquisition in 2015F (x)	1.33	1.96	2.58
Note: *			
Total capital increase (Bt m)	8,800		
# of WHA's newly issued shares (m shares)	255		
10% discount to average market price in past one month (Bt/share)	38.4		
WHA's shares outstanding (m shares)			
Before acquisition	918		
After acquisition	1,173		

Source: Thanachart estimates

Ex 6: Sum-of-the-Parts DCF-based TP Calculation

(Bt m)	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	Terminal value
EBITDA	2,157	2,841	3,233	3,574	3,560	3,578	3,609	3,645	3,686	3,791	4,198	4,569	—
Free cash flow	(4,718)	(455)	(154)	1,084	1,336	1,375	1,507	1,655	1,777	1,957	2,638	3,378	65,496
PV of free cash flow	—	(454)	(134)	879	1,009	968	989	1,013	1,014	1,041	1,308	1,562	30,285
Risk-free rate (%)	4.5												
Market risk premium (%)	7.5												
Beta	1.0												
WACC (%)	7.3												
Terminal growth (%)	2.0												
Enterprise value - add investments	50,579												
Net debt (2014F)	8,803												
Minority interest	2												
Equity value	41,774												
# of shares	964												
Equity value / share	43.0												

Investment: (Bt m)

WHAPF/REITs	10,865
WHA GUNKUL	232
Green Solar Roof	

Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

WHA Corporation (WHA) develops logistics facilities for lease and sales and leaseback. Its product range includes build-to-suit and warehouse farms targeting manufacturers, retailers and third-party logistics providers. Its portfolio is in logistics hub areas, i.e. Bangna-Trad Km 18-23, and industrial estates. WHA currently owns 15% of WHA Property Fund (WHAPF). The fund was established in 2010 as a funding vehicle for WHA via the sale of assets to the fund. However, WHA expects to set up a REIT this year in place of WHAPF.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

S — Strength

- Lots of experience and expertise in developing build-to-suit warehouses and logistics centers.
- Very strong client profiles and enjoys a good reputation among MNCs and big-name Thai firms.
- WHA's warehouse portfolio and land bank are in prime locations that are not prone to flooding.

O — Opportunity

- Rising urbanization trend and modern trade expansion.
- Growing warehouse outsourcing trend.
- Thailand becoming the ASEAN logistics hub as a result of its growing logistics network.

CONSENSUS COMPARISON

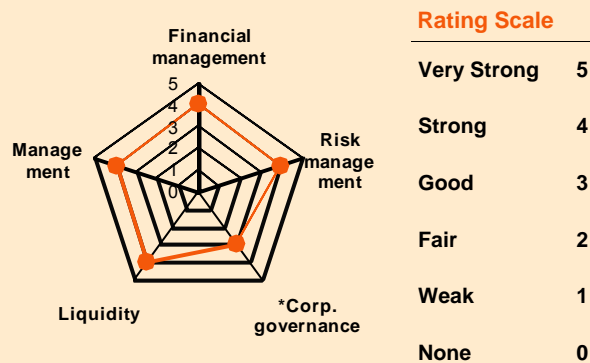
	Consensus	Thanachart	Diff
Target price (Bt)	41.25	43.00	4%
Net profit 14F (Bt m)	1,437	1,507	5%
Net profit 15F (Bt m)	1,635	1,814	11%
Consensus REC	BUY: 8	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts in 2014-15 and TP are above the Bloomberg consensus which we attribute to our more bullish view on demand for warehouse rental.

Sources: Bloomberg consensus, Thanachart

COMPANY RATING



Source: Thanachart; *CG Awards = No rating

W — Weakness

- Factory and warehouse for rent business needs high investment capital and has a long payback period.
- Reliance on major customers.

T — Threat

- Rising competition from major industrial estate developers such as TICON, AMATA and HEMRAJ.
- Politics and natural disasters.

RISKS TO OUR INVESTMENT CASE

- If global or domestic economic growth is disrupted, tenants may terminate or not renew their lease contracts.
- If political turmoil has a worse impact on FDI and rental demand than we currently expect.
- If assets sales to REITs are less than we now anticipate.

Source: Thanachart

FINANCIAL SUMMARY

Income Statement						(consolidated) Quarterly Earnings					
FY ending Dec (Bt m)	2012A	2013A	2014F	2015F	2016F	3Q13	4Q13	1Q14	2Q14	3Q14	
Sales	2,169	7,085	5,247	6,753	7,348	Sales	140	4,696	16	121	145
Cost of sales	1,743	5,441	3,152	3,984	4,215	Cost of sales	45	3,099	37	37	59
Gross profit	426	1,945	2,095	2,769	3,133	Gross profit	95	1,597	79	85	86
SG&A	68	132	143	191	203	SG&A	34	47	28	34	35
Operating profit	358	1,813	1,952	2,579	2,931	Operating profit	61	1,550	51	50	51
Depre & amortization	105	137	206	262	303	Depre & amortization	65	48	29	32	49
EBITDA	462	1,950	2,157	2,841	3,233	EBITDA	127	1,598	80	82	100
Other income	45	84	120	147	205	Other income	18	25	33	31	35
Other expenses	0	0	0	0	0	Other expenses	0	0	0	0	0
Interest expense	(149)	(183)	(254)	(505)	(562)	Interest expense	(47)	(63)	(48)	(50)	(79)
Pre-tax profit	253	1,714	1,818	2,221	2,574	Pre-tax profit	32	1,512	36	31	8
Income tax	40	249	309	404	469	Income tax	2	221	1	1	1
After-tax profit	213	1,465	1,509	1,817	2,106	After-tax profit	30	1,291	34	30	6
Equity income	0	(1)	0	0	0	Equity income	0	(1)	(3)	(2)	(1)
Minority interests	0	0	(2)	(3)	(4)	Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0	Extraordinary items	0	0	0	0	0
NET PROFIT	213	1,463	1,507	1,814	2,102	NET PROFIT	30	1,290	32	28	5
Normalized profit	213	1,463	1,507	1,814	2,102	Normalized profit	30	1,290	32	28	5
EPS (Bt)	0.3	15	16	19	2.2	EPS (Bt)	0.1	14	0.0	0.0	0.0
Normalized EPS (Bt)	0.3	15	16	19	2.2	Normalized EPS (Bt)	0.1	14	0.0	0.0	0.0

Balance Sheet						(consolidated) Financial Ratios And Valuations					
FY ending Dec (Bt m)	2012A	2013A	2014F	2015F	2016F	2012A	2013A	2014F	2015F	2016F	
Cash & equivalent	979	320	100	100	100	Norm profit (y-y%)	285.1	586.1	3.0	20.4	15.9
A/C receivables	21	48	50	65	70	Normalized EPS (%)	217.5	432.8	2.0	20.2	15.9
Inventories	1,862	2,225	1,900	2,292	2,310	Net profit (y-y%)	(47.4)	586.1	3.0	20.4	15.9
Other current assets	570	739	782	787	798	EPS (%)	(56.6)	432.8	2.0	20.2	15.9
Investment	653	1,400	2,423	3,257	4,116	Dividend payout (%)	29.2	48.0	48.0	48.0	48.0
Fixed assets	3,963	6,211	11,614	13,252	15,084	Gross margin (%)	19.6	27.4	39.9	41.0	42.6
Other assets	251	106	109	112	116	Operating margin (%)	16.5	25.6	37.2	38.2	39.9
Total assets	8,298	11,049	16,978	19,866	22,593	EBITDA margin (%)	21.3	27.5	41.1	42.1	44.0
S-T debt	1,472	872	970	1,147	1,323	Net margin (%)	9.8	20.7	28.8	26.9	28.7
A/C payables	903	1,394	1,036	1,201	1,155	ROA (%)	3.2	15.1	10.8	9.8	9.9
Other current liabilities	11	263	121	201	190	ROE (%)	10.5	40.7	33.1	33.2	32.1
L-T debt	2,605	4,202	7,932	9,376	10,815	Net D/E (x)	10	11	18	17	17
Other liabilities	264	164	169	174	179	Norm PE (x)	136.3	25.6	25.1	20.9	18.0
Total liabilities	5,256	6,895	12,028	13,899	15,461	Norm PE at TP (x)	149.3	28.0	27.5	22.9	19.7
Minority interest	0	0	2	2	6	PE (x)	136.3	25.6	25.1	20.9	18.0
Shareholders' equity	3,042	4,154	4,948	5,964	7,126	EV/EBITDA (x)	69.6	21.6	21.6	17.0	15.4
Working capital	979	879	94	1,156	1,225	P/BV (x)	12.2	9.1	7.6	6.3	5.3
Total debt	4,078	5,074	8,903	10,524	12,138	Dividend yield (%)	0.2	19	19	2.3	2.7
Net debt	3,099	4,754	8,803	10,424	12,038	BV/share (Bt)	3.2	4.3	5.1	6.2	7.4
Free cash flow	(1,636)	(95)	(4,138)	(76)	47	DPS (Bt)	0.1	0.7	0.8	0.9	10
Year End Shares (m)	741	954	963	964	964						

Sources: Company data, Thanachart estimates

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