

WHA Corporation

WHA TB / WHA.BK

26 December 2014

A Christmas present from WHA

What's news?

WHA's board meeting approved the move to acquire HEMRAJ (via Share Sale & Purchase Agreement and Voluntary Tender Offer) as well as capital increase from Right Offering (up to 351m shares at between Bt25-Bt27) and institutional loan (Up to Bt35.5bn). Additionally, there was approval for warrants to Purchase Ordinary Shares of WHA (WHA-W1) which will be issued and offered to the existing shareholders who subscribed for the RO (at a ratio of about three RO shares to one warrant, up to 117m units, 1 warrant : 1 share) with an exercise price of Bt35 and an exercisable life of five years.

Pleasant surprise

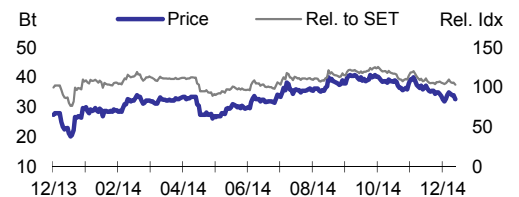
Although expected, WHA's Right Offering is a very generous one. The dilution is expected at between 25-27%, but can be made up with HEMRAJ's additional income. The approval of Bt35.5bn institutional loan will allow WHA to open up a tender offer for up to 100% of HEMRAJ's shares (HEMRAJ Market Cap at Bt4.50/share is Bt43.7bn, Bt8.8bn RO + Bt35.5bn loan = Bt44.3bn), which will reduce the number of hurdles for WHA. With the WHA-W1, we believe this will solidify WHA's support from its shareholders and does not post a great burden for WHA as at exercise price of Bt35 (PER of around 20.2x), its cost of equity will be only slightly higher than its cost of debt (4.5% 9M14).

Recommendation

We upgrade WHA to a BUY rating with target price Bt37.75 - based on 51% acquisition and RO price of Bt25.07 (but excluding warrant dilution). However on the same basis, if WHA is to acquire 100% of HEMRAJ, then we could see a valuation of Bt40.50 for WHA. We believe that at the current market price of Bt32.75, there is only upside for WHA; the planned acquisition of 51%-100% of HEMRAJ will provide a positive effect for WHA on a valuation basis (not including any business synergy to be gained for WHA). Even on an ongoing basis, with WHA's EPS at 1.73 and long term average PER of 21.7x, the implied price is Bt37.70 regardless.

Sector: Property (Industrial) Neutral
Rating: BUY
Target Price: Bt37.75
Price (25 December 2014): Bt32.75

Price chart

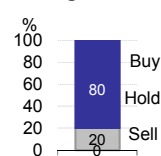


Share price perf. (%)	1M	3M	12M
Relative to SET	(8.1)	(10.6)	(14.4)
Absolute	(13.8)	(16.0)	(1.5)

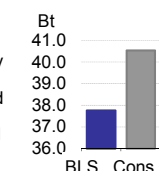
Key Statistics

Market cap	Bt31.6bn	USD1.0bn
12-mth price range	Bt19.9/Bt43.3	
12-mth avg daily volume	Bt125m	USD3.8m
# of shares (m)	964	
Est. free float (%)	24.5	
Foreign limit (%)	49.0	

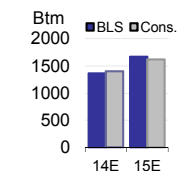
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial Summary

FY Ended 31 Dec	2013	2014E	2015E	2016E
Revenues (Btm)	7,085	5,013	5,538	5,658
Net profit (Btm)	1,465	1,362	1,670	1,828
EPS (Bt)	1.60	1.41	1.73	1.90
EPS growth (%)	+283%	-11.4%	+22.6%	+9.5%
Core profit (Btm)	1,465	1,362	1,670	1,828
Core EPS (Bt)	1.60	1.41	1.73	1.90
Core EPS growth (%)	+283%	-11.4%	+22.6%	+9.5%
PER (x)	30.4	23.2	18.9	17.3
PBV (x)	10.7	6.3	5.2	4.4
Dividend (Bt)	0.8	0.6	0.7	0.8
Dividend yield (%)	1.7	1.7	2.1	2.3
ROE (%)	41.6	29.7	30.3	27.8

CG Rating



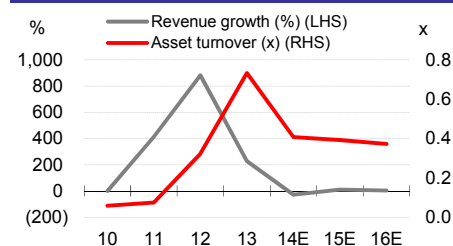
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Analyst Assistant

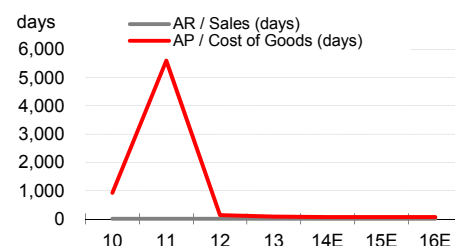
WHA : Financial Tables – Year

PROFIT & LOSS (Btm)	2012	2013	2014E	2015E	2016E
Revenue	2,169	7,085	5,013	5,538	5,658
Cost of sales and services	(1,743)	(5,141)	(3,177)	(3,246)	(3,282)
Gross profit	426	1,945	1,836	2,292	2,376
SG&A	(68)	(132)	(140)	(163)	(173)
EBIT	358	1,813	1,695	2,129	2,203
Interest expense	(149)	(183)	(256)	(352)	(306)
Other income/exp.	45	84	150	169	214
EBT	253	1,714	1,590	1,946	2,110
Corporate tax	(41)	(249)	(227)	(276)	(283)
After-tax net profit (loss)	212	1,465	1,362	1,670	1,828
Minority interest	0	0	0	0	0
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	212	1,465	1,362	1,670	1,828
Reported EPS	0.42	1.60	1.41	1.73	1.90
Fully diluted EPS	0.42	1.60	1.41	1.73	1.90
Core net profit	212	1,465	1,362	1,670	1,828
Core EPS	0.42	1.60	1.41	1.73	1.90
EBITDA	462	1,950	1,887	2,337	2,419
KEY RATIOS					
Revenue growth (%)	881.7	226.7	(29.2)	10.5	2.2
Gross margin (%)	19.6	27.4	36.6	41.4	42.0
EBITDA margin (%)	21.3	27.5	37.6	42.2	42.8
Operating margin (%)	16.5	25.6	33.8	38.4	38.9
Net margin (%)	9.8	20.7	27.2	30.2	32.3
Core profit margin (%)	9.8	20.7	27.2	30.2	32.3
ROA (%)	3.2	15.1	11.1	11.8	12.0
ROCE (%)	3.7	18.1	13.3	13.5	13.6
Asset turnover (x)	0.3	0.7	0.4	0.4	0.4
Current ratio (x)	1.4	1.3	2.5	2.8	3.0
Gearing ratio (x)	1.6	1.1	1.4	1.1	1.0
Interest coverage (x)	2.4	9.9	6.6	6.0	7.2
BALANCE SHEET (Btm)					
Cash & Equivalent	1,095	983	1,354	1,884	2,354
Accounts receivable	21	48	24	27	28
Inventory	0	0	0	0	0
PP&E-net	4,128	6,275	7,685	8,254	8,816
Other assets	3,054	3,743	4,494	4,523	4,524
Total assets	8,298	11,049	13,557	14,689	15,722
Accounts payable	645	1,123	545	555	559
ST debts & current portion	1,972	377	162	175	241
Long-term debt	2,605	4,202	6,621	6,731	6,628
Other liabilities	188	1,193	1,212	1,210	1,179
Total liabilities	5,410	6,895	8,540	8,670	8,607
Paid-up capital	510	918	964	964	964
Share premium	1,549	1,549	1,549	1,549	1,549
Retained earnings	561	1,520	2,338	3,340	4,436
Shareholders' equity	2,887	4,154	5,017	6,019	7,116
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	8,298	11,049	13,557	14,689	15,722
CASH FLOW (Btm)					
Net income	212	1,465	1,362	1,670	1,828
Depreciation and amortization	105	137	192	208	216
Change in working capital	(345)	(123)	(533)	2	2
FX, non-cash adjustment & others	(61)	(1,265)	0	(0)	(0)
Cash flows from operating activities:	(90)	214	1,021	1,880	2,047
Capex (Invest)/Divest	(1,398)	(603)	(2,375)	(801)	(778)
Others	(480)	(1,150)	0	0	0
Cash flows from investing activities:	(1,878)	(1,753)	(2,375)	(801)	(778)
Debt financing (repayment)	1,242	981	2,223	121	(68)
Equity financing	1,678	0	46	0	0
Dividend payment	0	(96)	(545)	(668)	(731)
Others	(480)	(1,150)	0	0	0
Cash flows from financing activities:	2,920	884	1,724	(547)	(799)
Net change in cash	952	(655)	370	531	470
Free cash flow (Btm)	(1,488)	(389)	(1,354)	1,078	1,269
FCF per share (Bt)	(2.9)	(0.4)	(1.4)	1.1	1.3
Key Assumptions	2012	2013	2014E	2015E	2016E
Leased area (sq.m)	206,912	294,261	286,348	306,348	366,348
New lease area (sq.m)	n.a.	n.a.	150,000	200,000	240,000
Spin-off space (sq.m)	n.a.	n.a.	157,913	180,000	180,000
Stake in WHAPF	16.0%	15.0%	15.0%	15.0%	15.0%

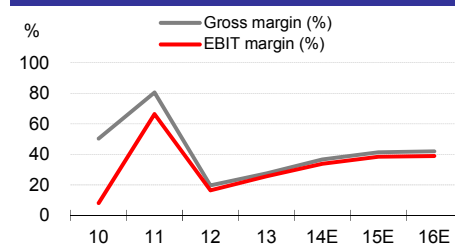
Revenue growth and asset turnover



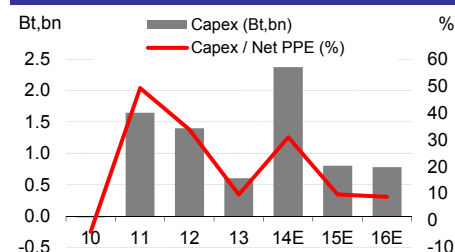
A/C receivable & A/C payable days



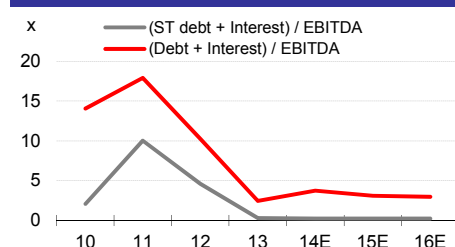
Profit margins



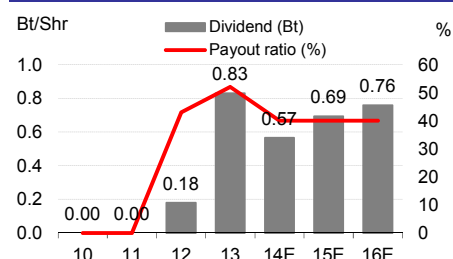
Capital expenditure



Debt serviceability



Dividend payout



WHA : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q13	4Q13	1Q14	2Q14	3Q14
Revenue	140	4,696	116	121	145
Cost of sales and services	(45)	(3,099)	(37)	(37)	(59)
Gross profit	95	1,597	79	85	86
SG&A	(34)	(47)	(28)	(34)	(35)
EBIT	61	1,550	51	51	51
Interest expense	(47)	(63)	48	50	79
Other income/exp.	21	31	35	33	35
EBT	35	1,518	134	134	166
Corporate tax	(2)	(221)	1	1	1
After-tax net profit (loss)	33	1,297	136	135	167
Minority interest	0	0	0	0	0
Equity earnings from affiliates	0	0	(3)	(2)	(1)
Extra items	0	0	0	0	0
Net profit (loss)	33	1,297	133	133	166
Reported EPS	0.04	1.41	0.15	0.14	0.18
Fully diluted EPS	0.03	1.35	0.14	0.14	0.17
Core net profit	33	1,297	133	133	166
Core EPS	0.03	1.35	0.14	0.14	0.17
EBITDA	116	1,628	86	84	87

KEY RATIOS

Gross margin (%)	68.0	34.0	67.9	69.8	59.4
EBITDA margin (%)	82.8	34.7	74.5	68.9	60.0
Operating margin (%)	43.9	33.0	43.9	41.6	35.6
Net margin (%)	23.4	27.6	114.6	109.4	114.9
Core profit margin (%)	23.4	27.6	114.6	109.4	114.9
BV (Bt)	3.2	4.5	4.6	3.7	3.9
ROE (%)	4.5	146.6	12.8	13.8	18.6
ROA (%)	1.3	45.0	4.7	4.3	4.4
Current ratio (x)	0.9	1.3	1.2	1.3	1.0
Gearing ratio (x)	2.0	1.1	1.2	2.2	3.4
Interest coverage (x)	1.3	24.6	(1.1)	(1.0)	(0.7)

QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,645	983	176	591	695
Accounts receivable	60	48	33	37	94
Inventory	0	0	0	0	0
PP&E-net	7,231	6,275	6,600	7,625	10,907
Other assets	3,070	3,743	4,772	5,003	4,932
Total assets	12,006	11,049	11,580	13,255	16,628
Accounts payable	1,424	1,123	1,211	1,016	630
ST debts & current portion	952	377	549	1,042	2,949
Long-term debt	4,796	4,202	4,603	6,746	9,087
Other liabilities	1,913	1,193	1,044	907	378
Total liabilities	9,084	6,895	7,406	9,711	13,044
Paid-up capital	918	918	918	964	964
Share premium	1,549	1,549	1,549	1,549	1,549
Retained earnings	231	1,520	1,552	882	888
Shareholders equity	2,922	4,154	4,174	3,544	3,584
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	12,006	11,049	11,580	13,255	16,628

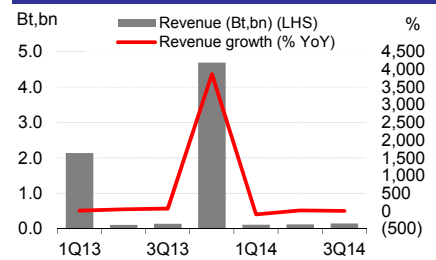
Key Statistics

	3Q13	4Q13	1Q14	2Q14	3Q14
Leased area (sq.m)	420,096	294,261	305,447	312,295	359,746
New lease area (sq.m)	149,926	47,531	11,186	6,848	47,451
Spin-off space (sq.m)	0	173,366	0	0	0
Stake in WHAPF	15.0%	15.0%	15.0%	15.0%	15.0%

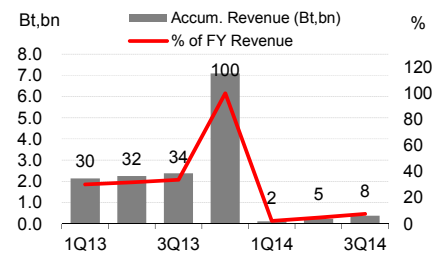
Company profile

The Company develops and rents out warehouses, distribution centers and factories, these 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 WHA Premium Factory and Warehouse Freehold and Leasehold Property Fund (WHAPF) continuously and WHA has been appointed to be the property manager for WHAPF.

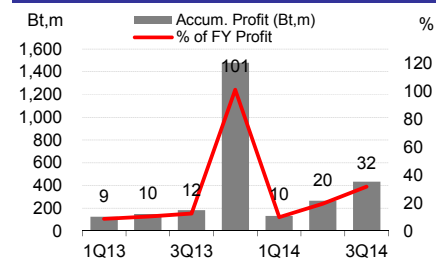
Revenue trend



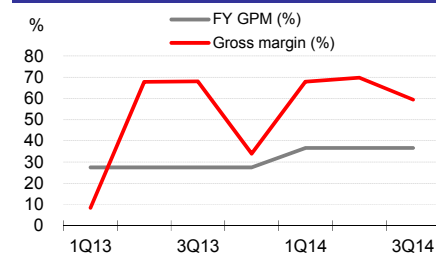
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

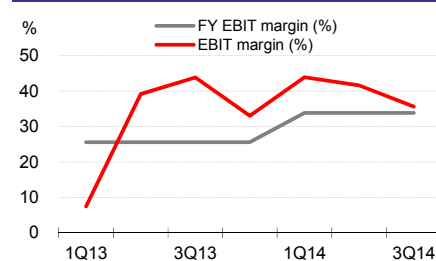


Figure 1: Analysis should WHA acquire 51% of HEMRAJ
51% shares acquisition
Assumptions

WHA: Price	32.75	HEMRAJ: Price	4.32
PER FY15	21.7	PER FY15	15.0
EPS FY15	1.6	Income FY15 (Bt m)	3,422
Current shares (m)	963.9	WHA stake	51.0%
Capital - RO (Bt m)		Purchase price (Bt/Share)	4.50
Capital - Lending (Bt m)	8,800	Income to WHA (Bt m)	1,745
Average cost of debt	13,080		
	4.50%		

WHA EPS FY15	RO Price (Bt)	Additional shares (m)	Dilution effect to EPS	HEMRAJ contribution to EPS	WHA new EPS FY15	Weighted PER FY15	New implied WHA price
1.73	25.07	351	(0.91)	1.33	2.15	17.55	37.73
	27.00	326	(0.89)	1.35	2.19	17.55	38.47

Warrant exercise @ Bt35:

WHA EPS after RO	Additional shares (m)	Capital received (Bt m)	Remaining debt (Bt m)	Net effect to EPS	EPS	Weighted PER FY15	New implied WHA price
2.15	117	4,095	8,985	(0.05)	2.10	17.55	36.91

Sources: Bualuang Research estimates

Figure 2: Analysis should WHA acquire 100% of HEMRAJ
100% share acquisition
Assumptions

WHA: Price	32.75	HEMRAJ: Price	4.32
PER FY15	21.7	PER FY15	15.0
EPS FY15	1.6	Income FY15 (Bt m)	3,422
Current shares (m)	963.9	WHA stake	100.0%
Capital - RO (Bt m)		Purchase price (Bt/Share)	4.50
Capital - Lending (Bt m)	8,800	Income to WHA (Bt m)	3,422
Average cost of debt	34,873		
	4.50%		

WHA EPS FY15	RO Price (Bt)	Additional shares (m)	Dilution effect to EPS	HEMRAJ contribution to EPS	WHA new EPS FY15	Weighted PER FY15	New implied WHA price
1.73	25.07	351	(1.66)	2.60	2.68	15.16	40.60
	27.00	326	(1.65)	2.65	2.73	15.16	41.39

Warrant exercise @ Bt35:

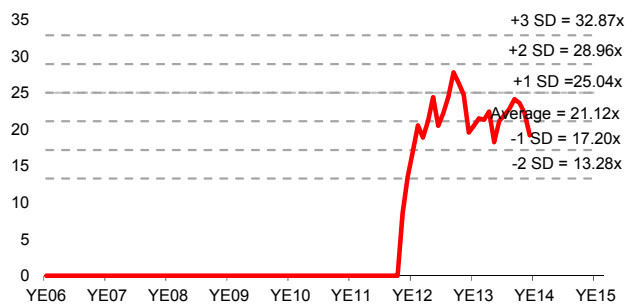
WHA EPS after RO	Additional shares (m)	Capital received (Bt m)	Remaining debt (Bt m)	Net effect to EPS	EPS	Weighted PER FY15	New implied WHA price
2.68	117	4,095	30,778	(0.09)	2.59	15.16	39.24

Sources: Bualuang Research estimates

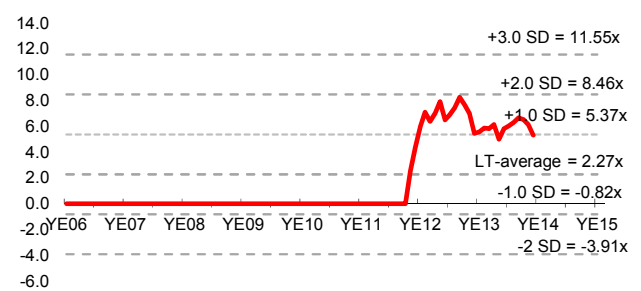
Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E
Amata Corporation	AMATA TB	THB16.00	519	14.0	14.5	-20.6	-3.5	1.6	1.5	14.4	13.4	2.9	2.8
Hemaraj Land and Developmer	HEMRAJ TB	THB4.32	1,275	12.1	12.3	-20.1	-1.3	2.6	2.3	24.3	21.7	4.1	4.1
Ticon Industrial Connection	TICON TB	THB18.70	625	13.0	11.7	2.6	11.9	1.7	1.4	15.3	13.4	5.8	6.4
Thai Factory Development	TFD TB	THB3.68	144	15351	11.8	-99.8	130236	1.9	1.3	0.0	20.6	0.0	7.0
Wha Corporation	WHA TB	THB32.75	960	23.2	18.9	-11.4	22.6	6.3	5.2	29.7	30.3	1.7	2.1
Simple average				3082.6	13.8	-29.9	26053.2	2.8	2.4	16.7	19.9	2.9	4.5

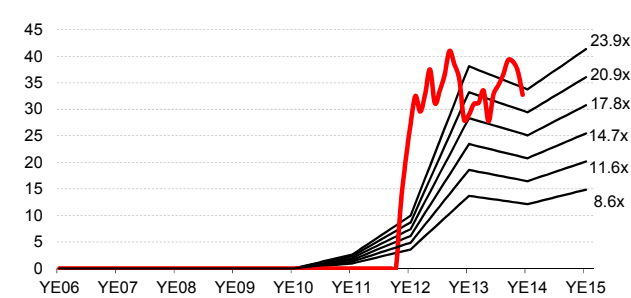
PER band versus SD (next 12 months)



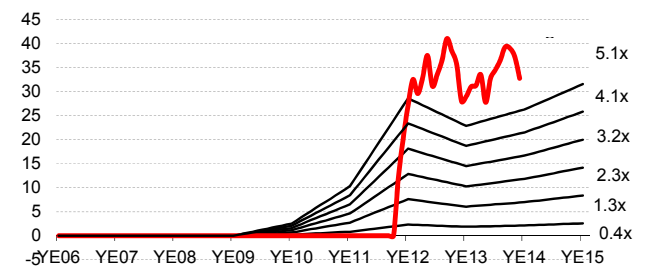
PBV band versus SD (next 12 months)



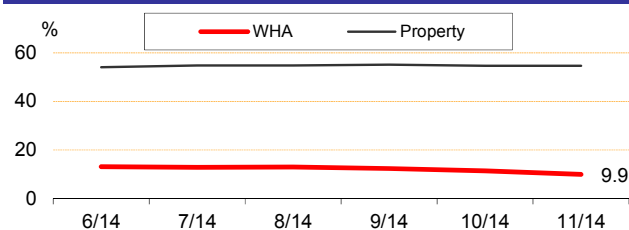
PER band and share price



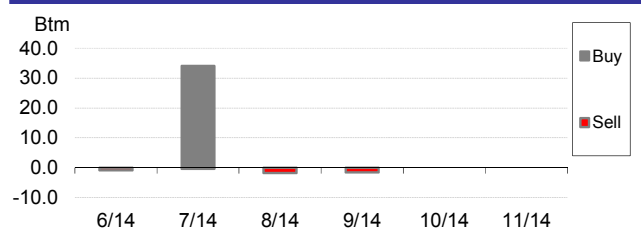
PBV band and share price



Foreign holding



Management trading activities during past six months








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	EPG

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

- BUY:** Expected positive total returns of 15% or more over the next 12 months.
- HOLD:** Expected total returns of between -15% and +15% over the next 12 months.
- SELL:** Expected negative total returns of 15% or more over the next 12 months.
- TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
- UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.