

WHA Corporation

WHA TB / WHA.BK

22 January 2015

Buyout of HEMRAJ looks a goer—value creation for WHA shareholders

Investment thesis

We attended WHA's analyst meeting, where management unveiled further details of the planned buyout of HEMRAJ. We believe the acquisition will create immediate value for WHA shareholders—we estimate 22-31% value upside, based on the firm buying from 51% to 100% of HEMRAJ's shares (pushing up WHA's value to Bt37.75-Bt40.55/share). In our analysis we used long-term PER pegs of 15.0x for HEMRAJ and 21.8x for WHA. Our BUY rating stands with YE15 target price of Bt37.75.

Acquisition details and business plan revealed

The Rights Offering (RO) price has been finalized at Bt25.50 apiece at a ratio of 2.75 existing to one new share with a maximum of 359.5m additional shares. WHA-W1 conditions are unchanged. The bank finance has been structured into two tranches—a Bt28,235m two-year bridge loan and a Bt6,500m seven-year loan. The final approval hurdle will be the EGM on Feb 5. The RO subscription period will be Feb 24-March 2 and the tender offer for HEMRAJ with run March 6-April 10. WHA also said it plans to start offering built-to-suit factories and lower-end warehousing after the acquisition.

No concerns over funding, tender offer or debt repayment

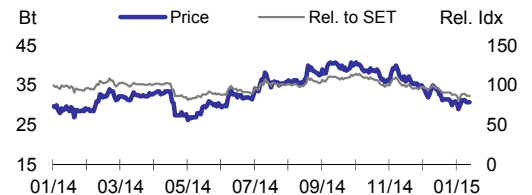
We believe that WHA will transact the acquisition successfully. The firm will need to pay down the debt taken on for the buyout, so there will be sales of non-core assets. Further sources of repayment will be sales of warehouses, factories and office space to REITs. We estimate that as of end-Sept 2014 the combined assets of HEMRAJ and WHA that could be spun off to REITs totaled about 660k sq.m. Moreover, we expect WHA's core warehousing business to pick up again during FY15, which will help build the size of its leased assets.

Too soon to quantify the synergies

The possible synergies from the acquisition include sharing the customer base, stronger bargaining power for construction, procurement and financing and the ability to offer one-stop services, such as bundled industrial estate, rental factories and distribution center clusters. However, at this point, it's too soon to quantify the scale of synergistic benefits or when the synergies will be realized. Industrial estate land sales and factory rentals are expected to start recovering by 2H15 at the earliest.

Sector: Property (Industrial) Neutral
Rating: BUY
Target Price: Bt37.75
Price (21 January 2015): Bt30.75

Price chart

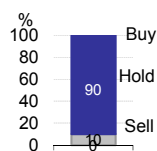


Share price perf. (%)	1M	3M	12M
Relative to SET	(10.9)	(20.9)	(2.9)
Absolute	(10.9)	(20.1)	16.0

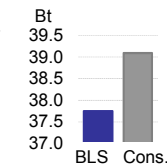
Key Statistics

Market cap	Bt29.6bn	USD0.9bn
12-mth price range	Bt25.3/Bt43.3	
12-mth avg daily volume	Bt117m	USD3.6m
# of shares (m)	964	
Est. free float (%)	24.5	
Foreign limit (%)	49.0	

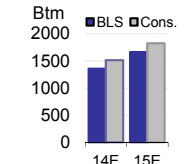
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial Summary

FY Ended 31 Dec	2013	2014E	2015E	2016E
Revenues (Btm)	7,085	5,006	5,528	5,646
Net profit (Btm)	1,465	1,358	1,664	1,821
EPS (Bt)	1.60	1.41	1.73	1.89
EPS growth (%)	+283%	-11.7%	+22.6%	+9.4%
Core profit (Btm)	1,465	1,358	1,664	1,821
Core EPS (Bt)	1.60	1.41	1.73	1.89
Core EPS growth (%)	+283%	-11.7%	+22.6%	+9.4%
PER (x)	30.4	21.7	17.7	16.1
PBV (x)	10.7	5.9	4.9	4.1
Dividend (Bt)	0.8	0.6	0.7	0.8
Dividend yield (%)	1.7	1.8	2.3	2.5
ROE (%)	41.6	29.6	30.2	27.8

CG Rating



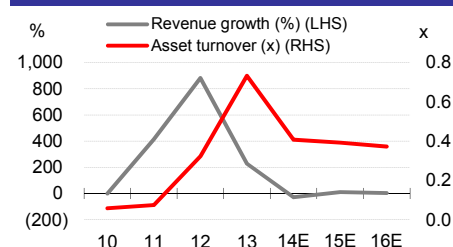
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Analyst Assistant

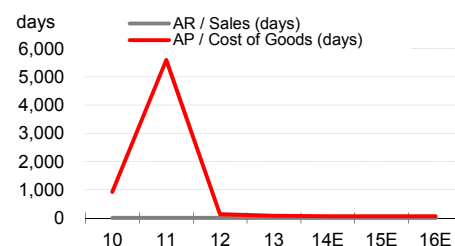
WHA : Financial Tables – Year

PROFIT & LOSS (Btm)	2012	2013	2014E	2015E	2016E
Revenue	2,169	7,085	5,006	5,528	5,646
Cost of sales and services	(1,743)	(5,141)	(3,175)	(3,243)	(3,279)
Gross profit	426	1,945	1,831	2,285	2,367
SG&A	(68)	(132)	(140)	(163)	(173)
EBIT	358	1,813	1,690	2,122	2,195
Interest expense	(149)	(183)	(256)	(352)	(306)
Other income/exp.	45	84	150	169	214
EBT	253	1,714	1,585	1,939	2,102
Corporate tax	(41)	(249)	(227)	(275)	(281)
After-tax net profit (loss)	212	1,465	1,358	1,664	1,821
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	1,358	1,664	1,821
Reported EPS	0.42	1.60	1.41	1.73	1.89
Fully diluted EPS	0.42	1.60	1.41	1.73	1.89
Core net profit	212	1,465	1,358	1,664	1,821
Core EPS	0.42	1.60	1.41	1.73	1.89
EBITDA	462	1,950	1,882	2,330	2,411
KEY RATIOS					
Revenue growth (%)	881.7	226.7	(29.3)	10.4	2.1
Gross margin (%)	19.6	27.4	36.6	41.3	41.9
EBITDA margin (%)	21.3	27.5	37.6	42.2	42.7
Operating margin (%)	16.5	25.6	33.8	38.4	38.9
Net margin (%)	9.8	20.7	27.1	30.1	32.2
Core profit margin (%)	9.8	20.7	27.1	30.1	32.2
ROA (%)	3.2	15.1	11.0	11.8	12.0
ROCE (%)	3.7	18.1	13.2	13.5	13.5
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	1,351	1,878	2,343
Accounts receivable	21	48	24	27	27
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	13,553	14,682	15,711
Accounts payable	645	1,123	544	554	558
ST debts & current portion	1,972	377	162	175	240
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	8,539	8,669	8,605
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	2,335	3,334	4,426
Shareholders' equity	2,887	4,154	5,015	6,013	7,106
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	8,298	11,049	13,553	14,682	15,711
CASH FLOW (Btm)					
Net income	212	1,465	1,358	1,664	1,821
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	1,017	1,874	2,040
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	120	(68)
Equity financing	1,678	0	46	0	0
Dividend payment	0	(96)	(543)	(666)	(728)
Others	(480)	(1,150)	0	0	0
Cash flows from financing activities:	2,920	884	1,726	(545)	(796)
Net change in cash	952	(655)	367	527	465
Free cash flow (Btm)	(1,488)	(389)	(1,358)	1,072	1,262
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%

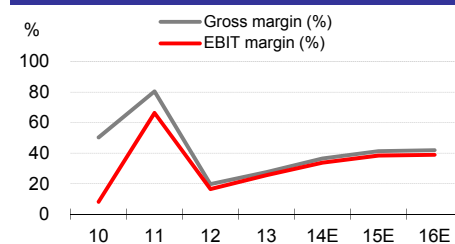
Revenue growth and asset turnover



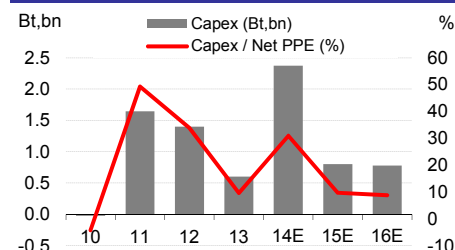
A/C receivable & A/C payable days



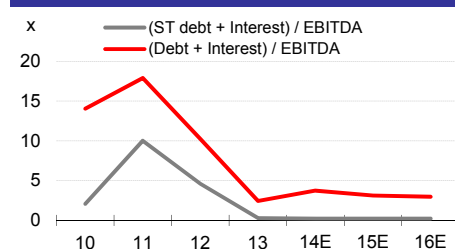
Profit margins



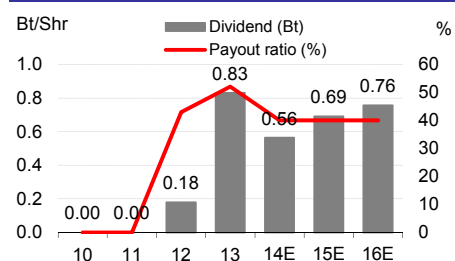
Capital expenditure



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

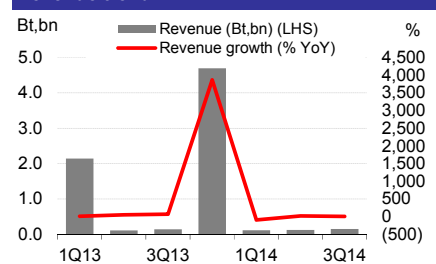
Key Statistics

	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%

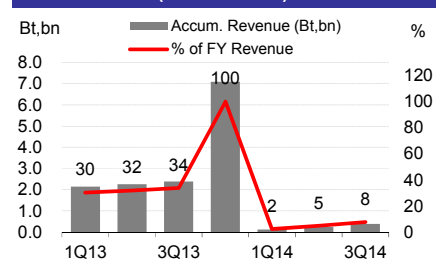
Company profile

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) and WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) continuously and WHA has been appointed to be the property manager for WHAPF and WHART.

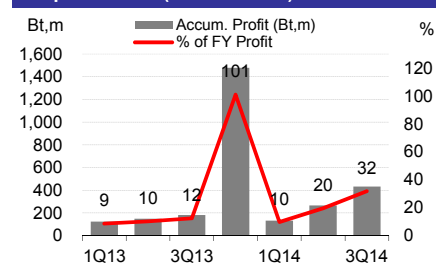
Revenue trend



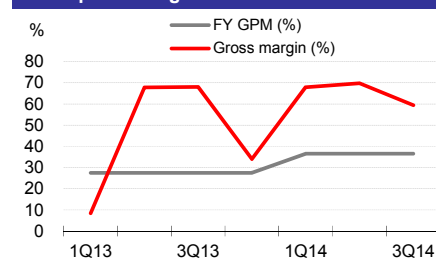
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

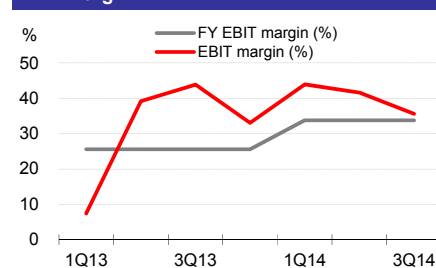


Figure 1: Analysis should WHA acquire 51% of HEMRAJ
51% shares acquisition
Assumptions

WHA: Price	30.50	HEMRAJ: Price	4.40
PER FY15	21.8	PER FY15	15.0
		Income	
EPS FY15	1.73	FY15 (Bt m)	3,413
Current shares (m)	963.9	WHA stake	51.0%
Capital - RO (Bt m)	8,938	Purchase price (Bt/Share)	4.50
Capital - Lending (Bt m)	12,942	Income to WHA (Bt m)	1,741
Average cost of debt	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	25.50	350.5	(0.90)	1.32	2.15	17.58	37.75

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	116.8	4,089	8,853	(0.05)	2.10	17.58	36.93

Sources: Bualuang Research estimates

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

WHA: Price	30.50	HEMRAJ: Price	4.40
PER FY15	21.8	PER FY15	15.0
		Income	
EPS FY15	1.73	FY15 (Bt m)	3,413
Current shares (m)	963.9	WHA stake	100.0%
Capital - RO (Bt m)	8,938	Purchase price (Bt/Share)	4.50
Capital - Lending (Bt m)	34,735	Income to WHA (Bt m)	3,413
Average cost of debt	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	25.50	350.5	(1.65)	2.60	2.67	15.17	40.55

Warrant exercise @ Bt35:

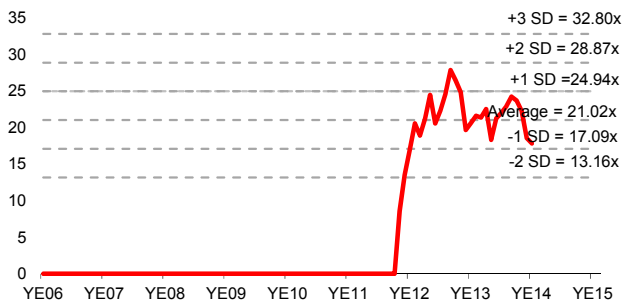
WHA EPS after RO	Additional shares (m)	Capital received (Bt m)	Remaining debt (Bt m)	Net effect to EPS	EPS	Weighted PER FY15	New implied WHA price
2.67	116.8	4,089	30,646	(0.09)	2.58	15.17	39.19

Sources: Bualuang Research estimates

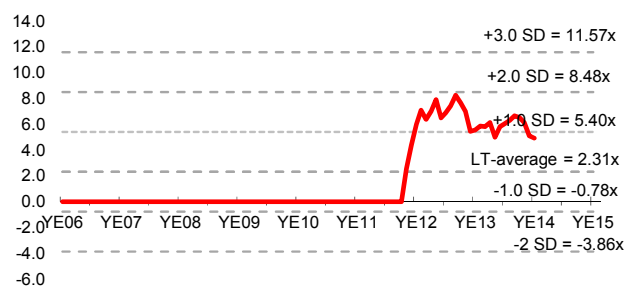
Sector Comparisons

	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	THB16.30	532	14.2	14.7	-20.6	-3.5	1.6	1.5	14.4	13.4	2.8	2.7
Hemaraj Land and Developer	HEMRAJ TB	THB4.38	1,299	12.3	12.4	-20.1	-1.3	2.6	2.3	24.3	21.7	4.1	4.0
Ticon Industrial Connection	TICON TB	THB17.70	595	15.0	11.0	-25.7	36.0	1.6	1.3	12.3	13.0	5.0	6.8
Thai Factory Development	TFD TB	THB4.34	170	18021	13.8	-99.8	130236	2.2	1.5	0.0	20.6	0.0	5.9
Wha Corporation	WHA TB	THB30.75	906	21.8	17.8	-11.7	22.6	5.9	4.9	29.6	30.2	1.8	2.2
Simple average				3616.8	14.0	-35.6	26058.1	2.8	2.3	16.1	19.8	2.7	4.3

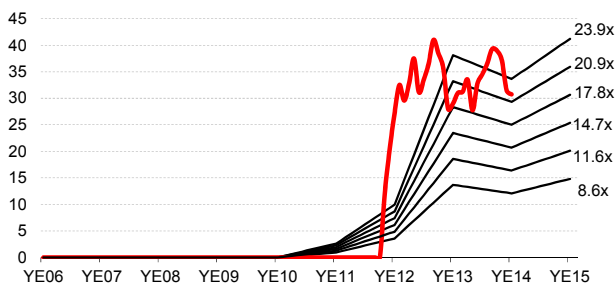
PER band versus SD (next 12 months)



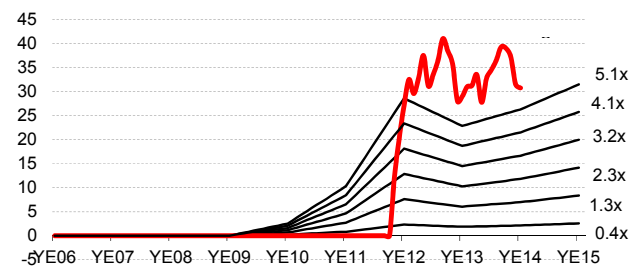
PBV band versus SD (next 12 months)



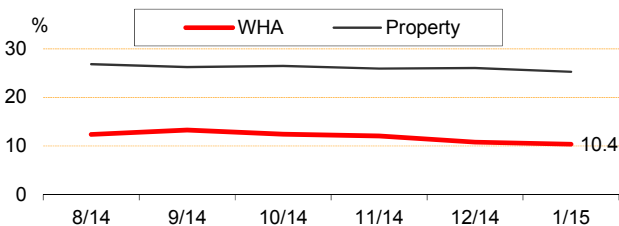
PER band and share price



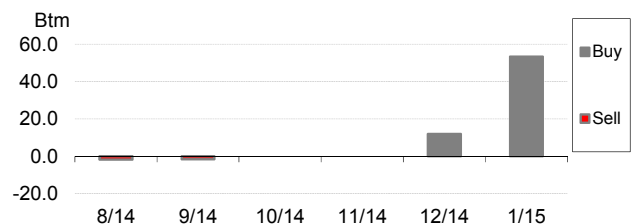
PBV band and share price



Foreign holding



Management trading activities during past six months








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter

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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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

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.