

# WHA Corporation

## Under review

Price as of 2 Mar 2015	35.25
12M target price (Bt/shr)	37.60
Unchanged / Revised up (down) (%)	Unchanged
Upside/downside (%)	6.7

## Key messages

WHA reported 2014 earnings of Bt979mn, down 33% YoY. The result was lower than our full-year estimate of Bt1.3bn. Revenue declined as the amount of asset amortization was lower than 2013. SG&A increased significantly due to professional fees related to the acquisition of Hemaraj Land and Development (HEMRAJ.BK/HEMRAJ TB)\*. Our recommendation is under review, but we are maintaining our target price at Bt37.60.

## 2014 earnings review: Below expectation

### Event

WHA reported 2014 earnings of Bt979mn, down 33%. The result was lower than our full-year estimate of Bt1.3bn.

### Impact

Full-year rental and service revenue was Bt551mn, up 10.1% from the higher rental rates for its new warehouses which are temperature controlled, multi-temperature, and cold storage warehouses. However, income from asset amortization declined to Bt4.3bn, down 34% as WHA sold its assets only once in 2014, but twice in 2013.

Gross margin for rental and service business declined to 60.3%, from 64.3% in 2013 as WHA built more warehouse farm projects on which the rental contracts are not fully-guaranteed like its previous built-to-suit warehouses. Therefore, the depreciation occurs while there is some vacant area. Gross margin for asset amortization was 29.7%, up from 24.6% in 2013. The gross margin was higher as REIT was funded by bank loan so had a lower financial cost than Property Fund. As a result, WHA could maximize the value of its asset sales.

Administrative expenses increased 115% to Bt283mn, mainly from advisory fees related to the acquisition of Hemaraj Land and Development (HEMRAJ.BK/HEMRAJ TB)\*. This is expected to be a non-recurring cost.

### Valuation & Action

WHA's share price has increased strongly to near our target price of Bt37.60. Our recommendation is under review, but we maintain our target price. Our target price has not incorporated the synergy of the HEMRAJ acquisition as such synergy is still uncertain.

### Risks

Project delays, private investment slowdown.

Figure 1: 4Q14 earnings review

Bt m	4Q14	4Q13	YoY (%)	3Q14	QoQ (%)	2014	2013	YoY (%)	Comment
Sales and services	4,506	4,696	(4.0)	145	3,015.9	4,888	7,085	(31.0)	
Cost of sales	3,137	3,099	1.2	59	5,247.3	3,269	5,141	(36.4)	
Gross profit	1,369	1,597	(14.3)	86	1,493.1	1,619	1,945	(16.8)	
SG&A	187	47	297.8	35	441.3	283	132	115.0	
Other operating income	106	25	321.2	35	200.4	170	84		
Operating profit	1,289	1,575	(18.2)	87	1,385.3	1,505	1,896	(20.6)	
EBITDA	1,345	1,622	(17.1)	116	1,057.4	1,652	2,034	(18.8)	
Interest expenses	118	63	87.3	79	49.3	295	183	61.2	
Corporate income tax	220	221	(0.7)	1	15,332.4	224	249	(10.0)	
Net profit	949	1,290	(26.4)	5	17,996.2	979	1,463	(33.1)	Lower than our estimate
EPS(Bt)	1.03	1.40	(26.4)	0.01	18,900.8	1.02	1.52	(33.1)	
Percent	4Q14	4Q13	YoY (ppts)	3Q14	QoQ (ppts)	2014	2013	YoY (ppts)	
Gross margin	30.4	34.0	(3.6)	59.4	(29.0)	33.1	27.4	5.7	
SG&A to sales	4.1	1.0	3.1	23.9	(19.7)	5.8	1.9	3.9	Higher from HEMRAJ acquisition related professional fees
Operating margin	28.6	33.5	(4.9)	60.0	(31.4)	30.8	26.8	4.0	
EBITDA margin	0.0	0.0	(0.0)	0.0	(0.0)	33.8	28.7	5.1	
Net margin	21.1	27.5	(6.4)	3.6	17.4	20.0	20.7	(0.6)	

Source: KGI Research

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