

BUY (unchanged)

WHA Corporation PCL (WHA)

Good signal from M&A deal

CGR Scoring Rating 

Offering price: THB3.86
Target price: THB4.31 (under review)

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Stock Information

Description: The Company develops and rents out warehouses, distribution centres and factories, these projects consist of customized requirements projects (built-to-suit) and high standard projects (general warehouse).

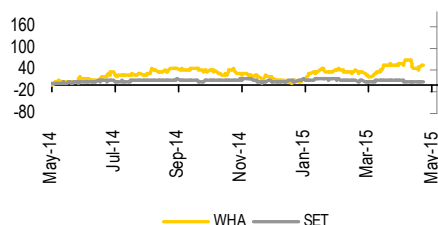
Ticker : WHA
Shares Issued (m): 13,144
Market Cap (THBm) 50,736
Market Cap (USDm) 1,510
3-mth Avg. Daily Turnover (THBm) 136.27
SET index 1,512.19
Free float (%) 24.47

Major Shareholders : %
WHA CORPORATION PUBLIC Co.Ltd. 25.10
Mrs. JAREEPORN ANANTAPRAYOON 12.91

Key Indicators

ROE – annualised (%) 25.0
Net cash (THB m): (4,330)
NTA/shr (THB): 0.4
Interest cover (x): 4.5

Historical Chart



Performance

52-week High/Low THB 36.50/THB16.40

	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	-3.0	10.9	6.6	55.0	35.4
Relative (%)	0.7	18.5	11.5	43.0	34.1

1Q15 earnings summary. WHA posted net loss of THB5m, a turnaround from THB914m profit in 4Q14 (THB4.3b revenue from selling assets into the REIT during the quarter) and THB32m profit in 1Q14. A key earnings pressure was interest expenses from the HEMRAJ acquisition.

The loan for the acquisition transaction has been drawn down since 13 March (17 days), adding THB54.4m of additional interest expenses to WHA. However, after consolidating HEMRAJ's financial statement (15 days in 1Q15), total revenue increased to THB472m, of which, 58% was derived from HEMRAJ. In addition, HEMRAJ also brought THB76m profit to WHA from the investment in the power plant as recurring income. By deducting those interest expenses from the M&A deal during the quarter, the 1Q15 consolidation net profit expanded nicely 56%YoY to THB49m without synergy consideration.

On the B/S side, the D/E ratio increased sharply to 3.9x from 2.6x prior to the acquisition. The key move for WHA is to repay debt as soon as possible.

What's next? In the next phase, WHA needs to repay debt as soon as possible. The faster they can repay debt, the larger the amount of profit shared from HEMRAJ will be recognised. On 29 April, WHA announced that HEMRAJ could sell its non-core assets worth THB3b, which will be delivered to WHA for the M&A debt repayment (could be in dividend term).

Recommendation. We reiterate a BUY call. We are reviewing our financial model to price in HEMRAJ (consolidated since 17 March) due to our current TP of THB4.31/reflecting only a 53% stake in HEMRAJ when WHA actually acquired a 92.8% stake.

Risks. Delayed asset sales to REIT will make the interest rate last longer than expected.

WHA – Summary Earnings Table

FYE: Dec 31 (THB m)	2012	2013	2014	2015F	2016F
Revenue	2,169	7,085	4,888	5,630	5,919
EBITDA	462	1,950	1,514	1,945	2,005
Recurring Net Profit	212	1,463	979	1,342	1,445
Net profit	212	1,463	979	1,342	1,445
EPS (THB)	0.03	0.15	0.10	0.10	0.11
EPS growth (%)	(86.3)	406.7	(32.9)	0.1	7.6
DPS (THB)	0.01	0.08	-	0.05	0.05
PER	128.7	25.4	37.8	37.8	35.1
EV/EBITDA (x)	65.7	21.2	30.3	28.7	28.1
Div Yield (%)	0.3	2.0	-	1.3	1.4
P/BV(x)	9.6	9.0	8.3	9.4	8.2
Net Gearing (%)	90.6	100.4	192.9	94.1	89.5
ROE (%)	7.4	35.2	21.8	25.0	23.5
ROA (%)	2.6	13.2	6.1	7.7	8.7

Cons. Net Profit (THB m) - - - 2,220 1,679

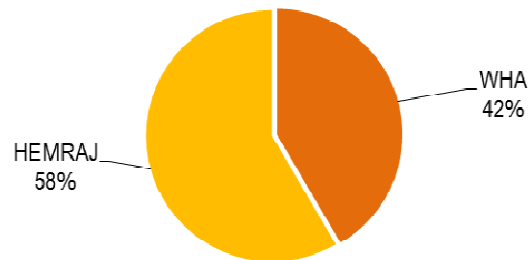
Source: Company reports and MBKET. *New par price of THB0.10, before acquire HEMRAJ *

Quarterly income statement

(THBm)	1Q15	4Q14	QoQ	1Q14	YoY	Note
Revenues	427	4,506	(90.5%)	116	267.8%	No selling asset to REIT
COGs	252	3,137	(92.0%)	37	578.2%	
Gross profits	174	1,369	(87.3%)	79	121.3%	
Gross margin (%)	40.9%	30.4%	-	67.9%	-	Higher cost from SJ Infinite I
SG&A	82	187	(56.2%)	28	193.7%	Expand staffs, FA cost
Operating profit	93	1,183	(92.2%)	51	81.7%	
Operating margin (%)	21.7%	26.2%	-	43.9%	-	
EBITDA	163	1,301	(87.5%)	80	102.8%	
EBITDA margin (%)	38.2%	28.9%	-	69.2%	-	
Interest expense	205	118	73.5%	48	329.0%	Loan related to VTO of HEMRAJ
Normalised earning	(5)	914	n.m.	32	n.m.	
Extra ordinary gain (loss)						
- Forex gain (loss)	0	0	n.m.	0	n.m.	
- Extra items	0	0	n.m.	0	n.m.	
Net profit	(5)	914	n.m.	32	n.m.	
EPS (THB) before extra item	0.000	0.95	n.m.	0.003	n.m.	
EPS (THB)	0.000	0.95	n.m.	0.003	n.m.	

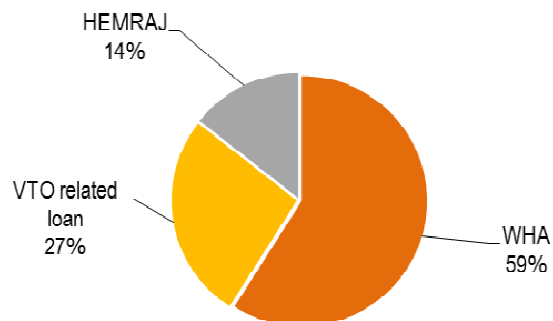
Source : Company reports and MBKET

Figure 1 : Revenue combination under Consolidated fin. statement



Source: Company report & MBKET

Figure 2 : Interest expense under Consolidated fin. statement



Source: Company report & MBKET

INCOME STATEMENT (THB m)

FY December	2013	2014	2015F	2016F
Revenue	7,085	4,888	5,630	5,919
EBITDA	1,950	1,514	1,945	2,005
Depreciation & Amortisation	137	179	146	159
Operating Profit (EBIT)	1,813	1,335	1,799	1,846
Interest (Exp)/Inc	(183)	(295)	(398)	(365)
Associates	(1)	(8)	(8)	(9)
One-offs	-	-	-	-
Pre-Tax Profit	1,714	1,210	1,579	1,704
Tax	(249)	(224)	(229)	(247)
Minority Interest	-	-	-	(3)
Net Profit	1,463	979	1,342	1,445
Recurring Net Profit	1,463	979	1,342	1,445
Revenue Growth %	226.7	(31.0)	15.2	5.1
EBITDA Growth (%)	322.0	(22.3)	28.4	3.1
EBIT Growth (%)	406.9	(26.3)	34.7	2.6
Net Profit Growth (%)	589.0	(33.1)	37.1	7.6
Recurring Net Profit Growth (%)	589.0	(33.1)	37.1	7.6
Tax Rate %	14.5	18.5	14.5	14.5

BALANCE SHEET (THB m)

FY December	2013	2014	2015F	2016F
Fixed Assets	6,275	8,078	6,359	6,688
Other LT Assets	1,442	2,191	2,850	3,634
Cash/ST Investments	983	2,185	5,670	3,513
Other Current Assets	2,349	3,497	2,551	2,679
Total Assets	11,049	15,952	17,430	16,514
ST Debt	199	250	1,699	1,699
Other Current Liabilities	2,331	2,681	3,623	4,180
LT Debt	4,202	8,369	6,550	4,295
Other LT Liabilities	164	172	180	189
Minority Interest	-	-	-	-
Shareholders' Equity	4,154	4,480	5,378	6,151
Total Liabilities-Capital	11,049	15,952	17,430	16,514
Share Capital (m)	9,640	9,640	13,144	13,144
Gross Debt/(Cash)	4,491	9,012	10,000	8,249
Net Debt/(Cash)	3,508	6,827	4,330	4,737
Working Capital	802	2,751	2,900	313
BVPS	0.43	0.46	0.40	0.47

CASH FLOW (THBm)

FY December	2013	2014	2015F	2016F
Profit before taxation	1,714	1,210	1,579	1,704
Depreciation	137	179	146	159
Net interest receipts/(payments)	(183)	(295)	(398)	(365)
Working capital change	522	(543)	75	36
Cash tax paid	(249)	(224)	(229)	(247)
Others (incl'd exceptional items)	(1,776)	(324)	248	204
Cash flow from operations	166	4	1,422	1,491
Capex	(6,913)	(6,605)	(5,016)	(4,880)
Disposal/(purchase)	1	2	3	4
Others	5,208	2,003	3,514	3,604
Cash flow from investing	(1,705)	(4,599)	(1,499)	(1,272)
Debt raised/(repaid)	993	5,305	109	(1,751)
Equity raised/(repaid)	-	-	-	-
Dividends (paid)	(96)	(652)	(620)	(671)
Interest payments	(183)	(295)	(398)	(365)
Others	171	288	406	374
Cash flow from financing	884	4,647	(503)	(2,413)
Change in cash	(655)	51	(579)	(2,194)

RATES & RATIOS

FY December	2013	2014	2015F	2016F
Gross Margin %	27.4	33.1	34.9	34.7
EBITDA Margin %	27.5	31.0	34.5	33.9
Op. Profit Margin %	25.6	27.3	31.9	31.2
Net Profit Margin %	20.7	20.0	23.8	24.4
ROE %	35.2	21.8	25.0	23.5
ROA %	13.2	6.1	7.7	8.7
Net Margin Ex. EI %	20.7	20.0	23.8	24.4
Dividend Cover (x)	0.5	0.0	0.5	0.5
Interest Cover (x)	9.9	4.5	4.5	5.1
Asset Turnover (x)	0.6	0.3	0.3	0.4
Asset/Debt (x)	1.6	1.4	1.4	1.6
Debtors Turn (days)	2.5	7.8	2.5	2.5
Creditors Turn (days)	79.7	66.7	73.0	73.0
Inventory Turn (days)	4.5	2.8	4.6	4.6
Net Gearing %	84.5	152.4	80.5	77.0
Debt/ EBITDA (x)	3.5	7.6	6.2	5.2
Debt/ Market Cap (x)	0.2	0.3	0.2	0.2

Source: Company reports and MBKET, *** before acquisition of HEMRAJ ***

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

				Score Range	Number of Logo	Description		
▲▲▲▲▲				90-100	▲▲▲▲▲	Excellent		
BAFS IRPC PTTEP SIM				80-89	▲▲▲▲	Very Good		
BCP IVL PTTGC SPALI				70-79	▲▲▲	Good		
BTS KBANK SAMART THCOM				60-69	▲▲	Satisfactory		
CPN KKP SAMTEL TISCO				50-59	▲	Pass		
EGCO KTB SAT TMB				Lower than 50	No logo given	N/A		
GRAMMY MINT SC TOP								
HANA PSL SCB								
INTUCH PTT SE-ED								
▲▲▲▲								
AAV	CENDEL	GUNKUL	NKI	RATCH	TCAP	TVO		
ACAP	CFRESH	HEMRAJ	NMG	ROBINS	TF	UAC		
ADVANC	CIMBT	HMPRO	NSI	RS	THAI	VGI		
ANAN	CK	ICC	OCC	S&J	THANI	VNT		
AOT	CNT	KCE	OFM	SAMCO	TIP	WACOAL		
ASIMAR	CPF	KSL	PAP	SCC	TIPCO			
ASK	CSL	LANNA	PE	SINGER	TK			
ASP	DELTA	LH	PG	SIS	TKT			
BANPU	DRT	LHBANK	PHOL	SITHAI	TNITY			
BAY	DTAC	LOXLEY	PJW	SNC	TNL			
BBL	DTC	LPN	PM	SNP	TOG			
BECL	EASTW	MACO	PPS	SPI	TRC			
BIGC	EE	MC	PR	SSF	TRUE			
BKI	ERW	MCOT	PRANDA	SSI	TSTE			
BLA	GBX	NBC	PS	SSSC	TSTH			
BMCL	GC	NCH	PT	STA	TTA			
BROOK	GFPT	NINE	QH	SVI	TTW			
▲▲▲▲								
ZS	BEC	DEMCO	IRCP	MOONG	PTG	SPC	TIC	UPOIC
AF	BFIT	DNA	ITD	MPG	QLT	SPCG	TICON	UT
AH	BH	EA	KBS	MTI	QTC	SPPT	TIW	UV
AHC	BJC	ESSO	KGI	NC	RCL	SST	TKS	UWC
AIT	BJCHI	FE	KKC	NTV	SABINA	STANLY	TLUXE	VIH
AJ	BOL	FORTH	KTC	NUSA	SALEE	STEC	TMI	WAVE
AKP	BTNC	FPI	L&E	NWR	SCBLIF	STPI	TMT	WHA
AKR	BWG	GENCO	LRH	NYT	SCCC	SUC	TNDT	WIN
AMANAH	CCET	GLAND	LST	OGC	SCG	SWC	TPC	WINNER
AMARIN	CGD	GLOBAL	MAJOR	OISHI	SEAFCO	SYMC	TPCORP	YUASA
AMATA	CGS	GLOW	MAKRO	PACE	SEAOIL	SYNEX	TRT	ZMICO
AP	CHOW	GOLD	MATCH	PATO	SFP	SYNTEC	TRU	
APCO	CI	HOTPOT	MBK	PB	SIAM	TASCO	TSC	
APCS	CKP	HTC	MBKET	PDI	SIRI	TBSP	TTCL	
AQUA	CM	HTECH	MEGA	PICO	SKR	TEAM	TUF	
ARIP	CMR	HYDRO	MFC	PPM	SMG	TFD	TVD	
AS	CSC	IFS	MFEC	PPP	SMK	TFI	TWFP	
ASIA	CSP	IHL	MJD	PREB	SMPC	THANA	UMI	
AYUD	CSS	INET	MODERN	PRG	SMT	THIP	UP	
BEAUTY	DCC	IRC	MONO	PRIN	SOLAR	THREL	UPF	

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