

# WHA Corporation WHA TB / WHA.BK

**28 July 2015**

## Profit warning ahead of 2Q15 results

### Investment Thesis

We maintain a HOLD rating on WHA, but revise down our TP to Bt3.80 (Bt4.00 previously) on sluggish Thai industrial recovery and a discount to its valuation concerning the risk of breaching its bond covenant by YE15. We also cut our 2015 and 2Q15 NPAT estimates to Bt4,341m and Bt473m due to higher acquisition-related costs and profit setbacks. Also, there is an interest payment downside to its 2015 bottom line—if there are delays in any of its three REIT spin-offs, there will be a knock-on effect to its LBO loan repayment schedule. Should the transactions occur as planned, we believe WHA will deserve an upward valuation re-rating to above Bt4.50/share as repayment risk is mitigated.

### Cut in 2015 net profit estimate

On top of the slow recovery in its core businesses, there will also be profit setbacks from consolidation of HEMRAJ's income through to 2016. We have revised our 2Q15 net profit estimation downwards to Bt473m (including a non-core asset sale) as a result of an additional ~Bt100m FA fee, higher-than-expected interest payments and lower profit recognition from HEMRAJ operations as its assets are recorded at fair value on the acquisition date. As such, we have also revised down our 2015 and 2016 NPAT forecasts to Bt4,341m and Bt6,194m.

### Delay to asset divestment may breach debt covenant

As WHA will be providing a rental guarantee for the 70%-occupied SJ Infinite One building when divesting the asset to its office REIT (WHABT) in 3Q15, this obligation implies that the asset will not be transferred out of WHA's books. Also, HEMRAJ's RBWs and RBFs will be sold to its brand-new H-REIT on a 60-year financial lease in 4Q15, longer than the standard 30-year lease. Such complicated transactions may delay the IPO of its REITs and consequently, force a late loan repayment schedule. This bears the risk of WHA failing to reduce its D/E below the bond covenant of 2.5x by YE15.

### New businesses not yet realizable

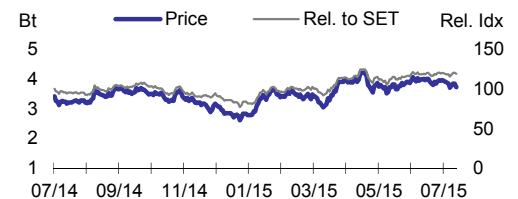
We believe that WHA's new businesses are as yet unrealizable this year. Though there is high potential for the firm's built-to-suit factories, we feel that inquiries are yet to be converted to revenue. Its low-cost "fighting-brand" warehouses are also unlikely to bear fruit this year, as its first small project is still under construction. On the data center front, we believe that it will be at least by 1H16 before we see any mandate from the government for the 40-odd data center projects.

### Power income to support bottom line, but no growth until 4Q16

Despite HEMRAJ's power business providing a solid recurring income, there are no income growth catalysts in the near future. Its next SPP commission date is in November 2016 and although HEMRAJ will be looking to participate in municipal waste power projects in the coming months, its income contribution will be insignificant to its current power portfolio and construction will also take time. We estimate the earliest commissioning date to be in 2H16 at the very least.

**Sector: Property (Industrial) Neutral**
**Rating: HOLD**
**Target Price: Bt3.80**
**Price (27 July 2015): Bt3.72**

### Price chart

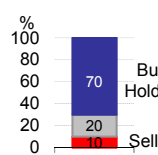


Share price perf. (%)	1M	3M	12M
Relative to SET	0.5	(81.9)	(82.0)
Absolute	(6.1)	(90.7)	(90.1)

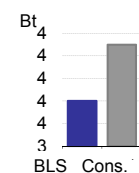
### Key statistics

Market cap	Bt48.9bn	USD1.4bn
12-mth price range	Bt3.4/Bt43.3	
12-mth avg daily volume	Bt128m	USD3.7m
# of shares (m)	13,144	
Est. free float (%)	24.1	
Foreign limit (%)	49.0	

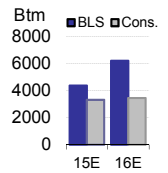
### Consensus rating



### BLS Target price vs. Consensus



### BLS earnings vs. Consensus



### Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	4,888	20,709	17,356	14,148
Net profit (Btm)	978	4,351	6,194	9,816
EPS (Bt)	0.10	0.33	0.47	0.75
EPS growth (%)	-36%	+226.2%	+42.4%	+58.5%
Core profit (Btm)	979	4,351	6,194	9,816
Core EPS (Bt)	0.10	0.30	0.43	0.69
Core EPS growth (%)	-36%	+199.4%	+42.4%	+58.5%
PER (x)	37.8	11.6	8.1	5.1
PBV (x)	8.3	2.7	2.2	1.8
Dividend (Bt)	0.0	0.1	0.2	0.3
Dividend yield (%)	1.1	3.4	4.9	7.8
ROE (%)	22.7	44.2	36.3	44.9

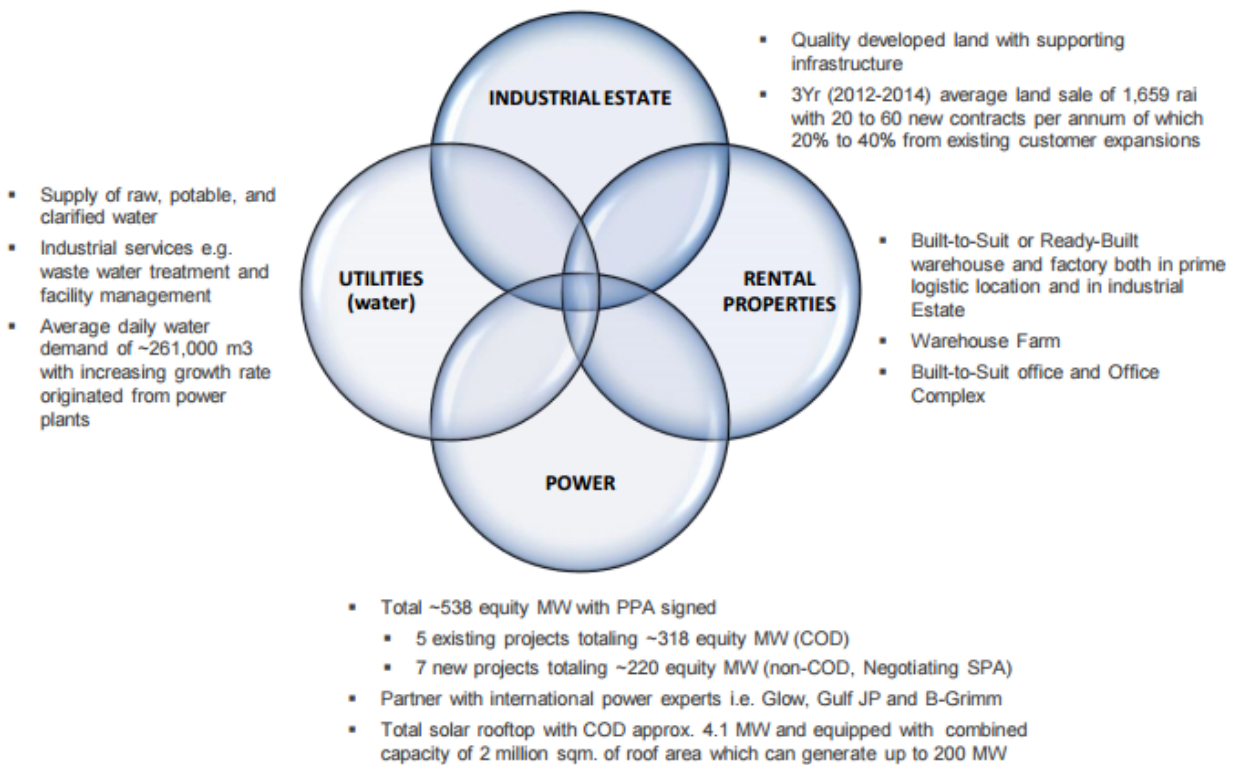
### CG rating



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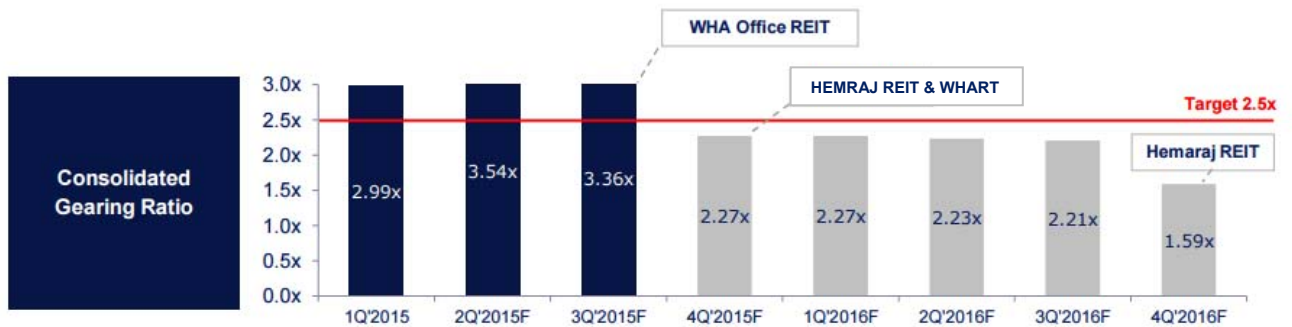
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Analyst Assistant

**Figure 1: WHA's now comprehensive business solutions**



Source: Company data

**Figure 2: WHA's planned gearing ratio reduction**



Source: Company data

**Figure 3: Glossary of abbreviations**

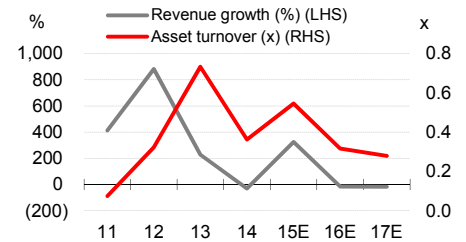
<b>D/E</b>	Debt-to-Equity Ratio
<b>FA</b>	Financial Advisor
<b>IPO</b>	Initial Public Offering
<b>LBO</b>	Leveraged Buyout
<b>NPAT</b>	Net Profit After Tax
<b>RBF</b>	Ready-Built Factories
<b>RBW</b>	Ready-Built Warehouses
<b>REIT</b>	Real Estate Investment Trust
<b>SPP</b>	Small Power Producer (typically 90MW - 120MW)

Source: Company data

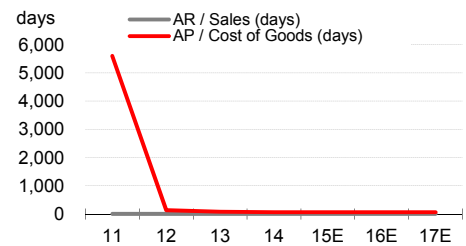
## WHA: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	7,085	4,888	20,709	17,356	14,148
Cost of sales and services	(5,141)	(3,269)	(14,642)	(10,029)	(3,069)
<b>Gross profit</b>	<b>1,945</b>	<b>1,619</b>	<b>6,067</b>	<b>7,327</b>	<b>11,079</b>
SG&A	(132)	(283)	(465)	(355)	(381)
<b>EBIT</b>	<b>1,813</b>	<b>1,335</b>	<b>5,602</b>	<b>6,972</b>	<b>10,698</b>
Interest expense	(183)	(295)	(1,223)	(760)	(668)
Other income/exp.	84	170	89	41	81
<b>EBT</b>	<b>1,714</b>	<b>1,210</b>	<b>4,468</b>	<b>6,253</b>	<b>10,110</b>
Corporate tax	(249)	(224)	(830)	(1,044)	(1,604)
<b>After-tax net profit (loss)</b>	<b>1,465</b>	<b>986</b>	<b>3,638</b>	<b>5,209</b>	<b>8,506</b>
Minority interest	0	0	(451)	(561)	(862)
Equity earnings from affiliates	0	(8)	1,164	1,546	2,172
Extra items	0	(1)	0	0	0
<b>Net profit (loss)</b>	<b>1,465</b>	<b>978</b>	<b>4,351</b>	<b>6,194</b>	<b>9,816</b>
Reported EPS	0.16	0.10	0.33	0.47	0.75
<b>Fully diluted EPS</b>	<b>0.16</b>	<b>0.10</b>	<b>0.30</b>	<b>0.43</b>	<b>0.69</b>
<b>Core net profit</b>	<b>1,465</b>	<b>979</b>	<b>4,351</b>	<b>6,194</b>	<b>9,816</b>
Core EPS	0.16	0.10	0.30	0.43	0.69
<b>EBITDA</b>	<b>1,950</b>	<b>1,514</b>	<b>5,847</b>	<b>7,273</b>	<b>10,991</b>
<b>KEY RATIOS</b>					
Revenue growth (%)	226.7	(31.0)	323.7	(16.2)	(18.5)
Gross margin (%)	27.4	33.1	29.3	42.2	78.3
EBITDA margin (%)	27.5	31.0	28.2	41.9	77.7
Operating margin (%)	25.6	27.3	27.1	40.2	75.6
Net margin (%)	20.7	20.0	21.0	35.7	69.4
Core profit margin (%)	20.7	20.0	21.0	35.7	69.4
ROA (%)	15.1	7.2	11.5	11.3	19.3
ROCE (%)	19.4	8.8	12.6	12.1	20.5
Asset turnover (x)	0.7	0.4	0.5	0.3	0.3
Current ratio (x)	1.3	1.9	1.4	4.5	9.1
Gearing ratio (x)	1.1	2.0	1.9	1.1	0.7
Interest coverage (x)	9.9	4.5	4.6	9.2	16.0
<b>BALANCE SHEET (Btm)</b>					
Cash & Equivalent	983	2,186	9,027	8,323	6,275
Accounts receivable	48	104	101	84	69
Inventory	0	0	0	0	0
PP&E-net	6,275	8,078	7,658	8,680	11,682
Other assets	3,743	5,584	43,266	32,933	33,594
<b>Total assets</b>	<b>11,049</b>	<b>15,952</b>	<b>60,052</b>	<b>50,020</b>	<b>51,619</b>
Accounts payable	1,123	597	2,501	1,707	521
ST debts & current portion	290	657	16,481	2,256	338
Long-term debt	4,202	8,369	20,334	21,606	20,420
Other liabilities	1,280	1,849	1,816	1,816	1,816
<b>Total liabilities</b>	<b>6,895</b>	<b>11,472</b>	<b>41,132</b>	<b>27,384</b>	<b>23,094</b>
Paid-up capital	918	964	1,314	1,314	1,314
Share premium	1,549	1,549	9,330	9,330	9,330
Retained earnings	1,520	1,801	4,402	8,119	14,008
<b>Shareholders' equity</b>	<b>4,154</b>	<b>4,480</b>	<b>15,220</b>	<b>18,936</b>	<b>24,825</b>
Minority interests	0	0	3,700	3,700	3,700
<b>Total Liab.&amp;Shareholders' equity</b>	<b>11,049</b>	<b>15,952</b>	<b>60,052</b>	<b>50,020</b>	<b>51,619</b>
<b>CASH FLOW (Btm)</b>					
Net income	1,465	978	4,351	6,194	9,816
Depreciation and amortization	137	179	245	301	293
Change in working capital	(123)	(378)	2,205	(13,146)	(3,058)
FX, non-cash adjustment & others	(1,265)	(775)	(10)	0	0
<b>Cash flows from operating activities:</b>	<b>214</b>	<b>4</b>	<b>6,792</b>	<b>(6,651)</b>	<b>7,051</b>
Capex (Invest)/Divest	(603)	(2,992)	170	(1,038)	(3,069)
Others	(1,150)	(1,607)	464	0	0
<b>Cash flows from investing activities:</b>	<b>(1,753)</b>	<b>(4,599)</b>	<b>634</b>	<b>(1,038)</b>	<b>(3,069)</b>
Debt financing (repayment)	981	5,298	(8,132)	9,463	(3,104)
Equity financing	0	0	9,288	0	0
Dividend payment	(96)	(652)	(1,740)	(2,478)	(3,926)
Others	(1,150)	(1,607)	464	0	0
<b>Cash flows from financing activities</b>	<b>884</b>	<b>4,647</b>	<b>(584)</b>	<b>6,985</b>	<b>(7,030)</b>
Net change in cash	(655)	51	6,841	(704)	(3,048)
<b>Free cash flow (Btm)</b>	<b>(389)</b>	<b>(2,988)</b>	<b>6,961</b>	<b>(7,689)</b>	<b>3,982</b>
<b>FCF per share (Bt)</b>	<b>(0.0)</b>	<b>(0.3)</b>	<b>0.5</b>	<b>(0.6)</b>	<b>0.3</b>
<b>Key Assumptions</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
Net profit ex. asset divestment (Bt m)	166	(51)	1,682	4,302	8,952
Leased area (sq.m)	294,261	255,462	188,562	232,952	287,342
New lease area (sq.m)	n.a.	n.a.	120,000	200,000	210,000
Spin-off space (sq.m)	n.a.	n.a.	172,900	155,610	155,610

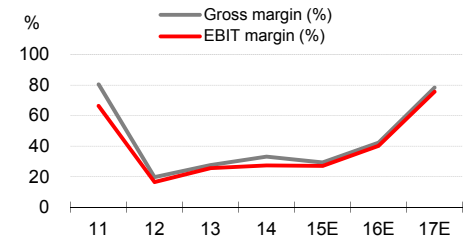
### Revenue growth and asset turnover



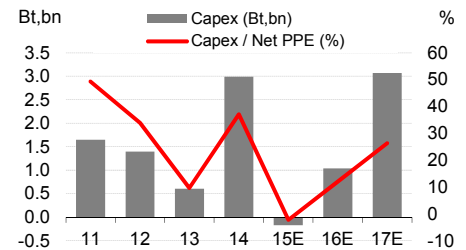
### A/C receivable & A/C payable days



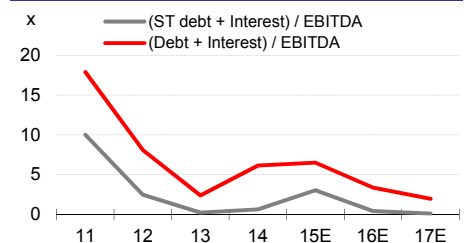
### Profit margins



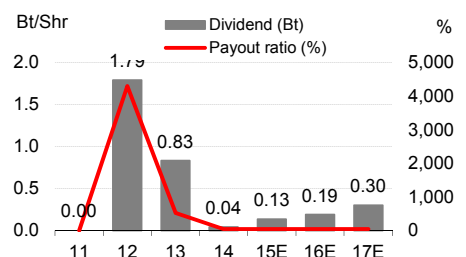
### Capital expenditure



### Debt serviceability



### Dividend payout



## WHA: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q14	3Q14	4Q14	1Q15	2Q15E
Revenue	121	145	4,506	427	4,503
Cost of sales and services	(37)	(59)	(3,137)	(252)	(3,812)
Gross profit	85	86	1,369	174	691
SG&A	(34)	(35)	(187)	(82)	(220)
<b>EBIT</b>	<b>51</b>	<b>51</b>	<b>1,183</b>	<b>93</b>	<b>472</b>
Interest expense	(50)	(79)	(118)	(205)	(371)
Other income/exp.	31	35	71	46	39
<b>EBT</b>	<b>31</b>	<b>8</b>	<b>1,135</b>	<b>(67)</b>	<b>140</b>
Corporate tax	(1)	(1)	(220)	(5)	(76)
After-tax net profit (loss)	30	6	915	(72)	64
Minority interest	0	0	0	(8)	(41)
Equity earnings from affiliates	(2)	(1)	(2)	76	450
Extra items	(6)	35	(18)	(1)	0
<b>Net profit (loss)</b>	<b>22</b>	<b>40</b>	<b>896</b>	<b>(5)</b>	<b>473</b>
Reported EPS	0.02	0.04	0.09	(0.00)	0.04
<b>Fully diluted EPS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.09</b>	<b>(0.00)</b>	<b>0.03</b>
<b>Core net profit</b>	<b>28</b>	<b>5</b>	<b>914</b>	<b>(4)</b>	<b>473</b>
Core EPS	0.00	0.00	0.09	(0.00)	0.03
<b>EBITDA</b>	<b>82</b>	<b>87</b>	<b>1,253</b>	<b>138</b>	<b>511</b>

### KEY RATIOS

Gross margin (%)	69.8	59.4	30.4	40.9	15.3
EBITDA margin (%)	67.2	60.0	27.8	32.4	11.3
Operating margin (%)	41.6	35.6	26.2	21.7	10.5
Net margin (%)	18.5	27.7	19.9	(1.1)	10.5
Core profit margin (%)	23.1	3.6	20.3	(0.9)	10.5
BV (Bt)	3.7	3.9	0.5	12.6	1.3
ROE (%)	2.3	4.5	88.9	(0.2)	13.8
ROA (%)	0.7	1.1	22.0	(0.0)	2.4
Current ratio (x)	1.3	1.0	1.9	1.6	0.9
Gearing ratio (x)	2.2	3.2	2.0	2.9	2.7
Interest coverage (x)	1.0	0.7	10.0	0.5	1.3

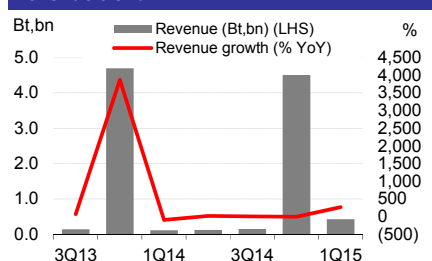
### QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	591	695	2,186	5,308	5,608
Accounts receivable	37	94	104	317	209
Inventory	0	0	0	0	0
PP&E-net	7,625	10,907	8,078	17,552	14,605
Other assets	5,003	4,932	5,584	58,941	53,103
<b>Total assets</b>	<b>13,255</b>	<b>16,628</b>	<b>15,952</b>	<b>82,118</b>	<b>73,525</b>
Accounts payable	1,016	630	597	12,539	7,520
ST debts & current portion	919	2,249	657	3,001	19,619
Long-term debt	6,746	9,087	8,369	45,363	26,951
Other liabilities	1,030	1,079	1,849	4,678	2,414
<b>Total liabilities</b>	<b>9,711</b>	<b>13,044</b>	<b>11,472</b>	<b>65,581</b>	<b>56,505</b>
Paid-up capital	964	964	964	1,314	1,314
Share premium	1,549	1,549	1,549	9,330	9,330
Retained earnings	882	888	1,801	1,797	3,099
<b>Shareholders equity</b>	<b>3,544</b>	<b>3,584</b>	<b>4,480</b>	<b>13,433</b>	<b>13,917</b>
Minority interests	0	0	0	3,103	3,103
<b>Total Liab.&amp;Shareholders' equity</b>	<b>13,255</b>	<b>16,628</b>	<b>15,952</b>	<b>82,118</b>	<b>73,525</b>

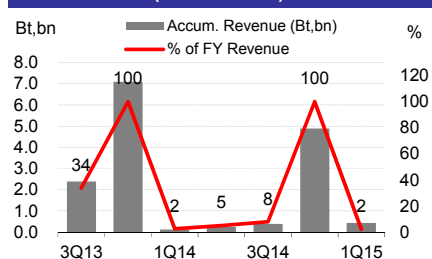
### Key Statistics

	2Q14	3Q14	4Q14	1Q15	2Q15E
Net profit ex. asset divestment (Bt m)	28	5	(116)	(4)	385
Leased area (sq.m)	312,295	359,746	255,462	273,633	293,633
New lease area (sq.m)	6,848	47,451	62,823	18,171	20,000
Spin-off space (sq.m)	0	0	167,107	0	0

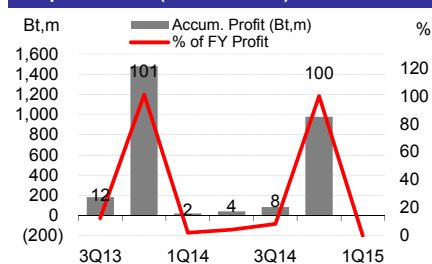
### Revenue trend



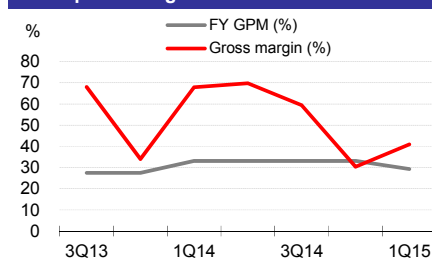
### Revenue trend (accumulated)



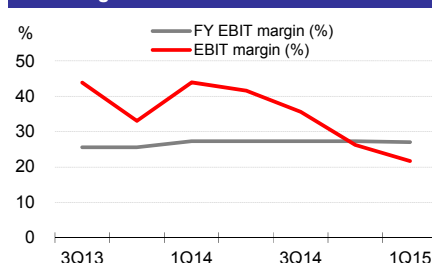
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



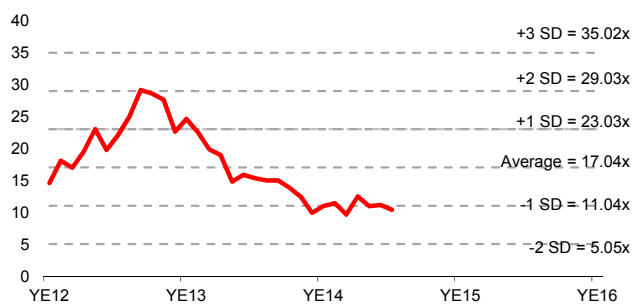
## Company profile

WHA Corporation Public Company Limited (WHA) develops and rents out warehouses, distribution centers and factories. It offers customized requirement (Built-to-Suit) and high-standard (General Warehouse) projects. 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) on a continuing basis and it has been appointed as property manager for WHAPF and WHART.

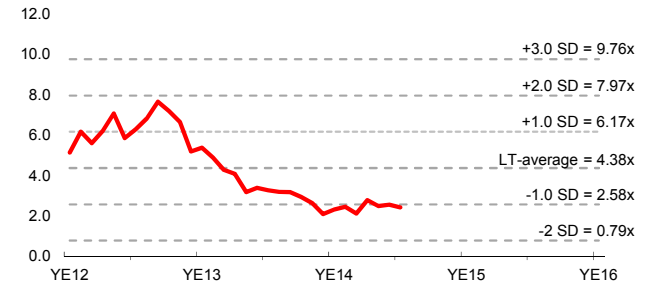
## Sector Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)	EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)		
				2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
Amata Corporation	AMATA TB	THB14.00	429	9.7	10.2	-30.6	-5.4	0.8	0.8	11.9	9.1	4.1	3.9
Hemaraj Land and Developer	HEMRAJ TB	THB4.04	1,125	7.8	5.8	68.7	34.9	3.5	3.1	39.5	59.6	31.7	32.3
Rojana Industrial Park	ROJNA TB	THB6.30	356	8.9	9.0	-18.1	-0.7	1.2	n.a.	13.4	0.0	6.3	0.0
Ticon Industrial Connection	TICON TB	THB12.70	400	16.6	10.8	10.6	53.3	0.9	0.6	6.2	6.7	4.2	6.5
Thai Factory Development	TFD TB	THB3.52	130	11.3	8.1	n.m.	38	1.3	1.0	20.6	15.7	7.3	7.4
Wha Corporation	WHA TB	THB3.72	1,403	12.2	8.6	199.6	42.4	2.6	2.2	44.2	36.3	3.6	5.1
<b>Simple average</b>				<b>11.1</b>	<b>8.8</b>	<b>46.0</b>	<b>27.1</b>	<b>1.7</b>	<b>1.5</b>	<b>22.7</b>	<b>21.2</b>	<b>9.5</b>	<b>9.2</b>

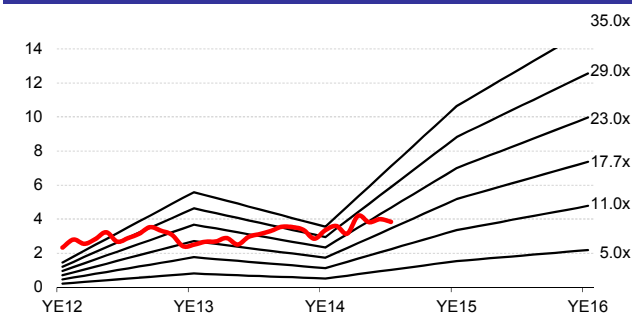
PER band versus SD (next 12 months)



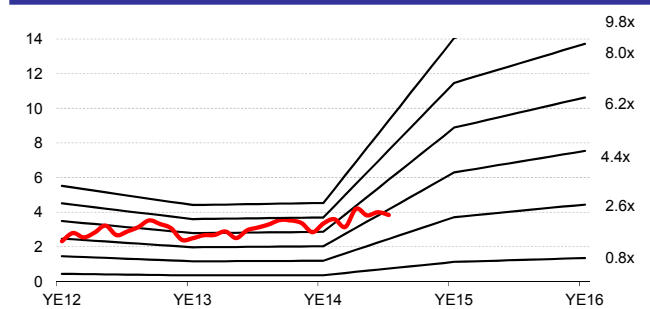
PBV band versus SD (next 12 months)



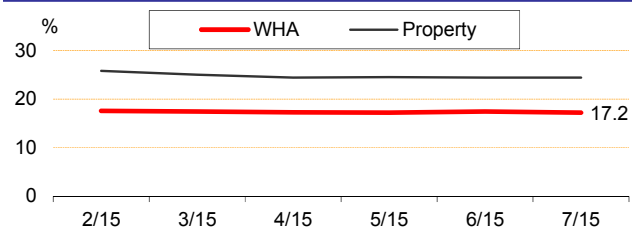
PER band and share price



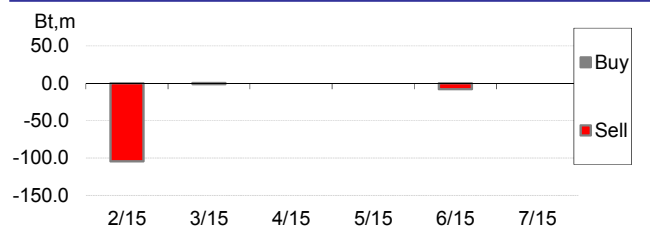
PBV band and share price



Foreign holdings



Management trading activities during past six months








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	BR, COM7

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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**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.