

WHA Corporation

WHA TB / WHA.BK

13 November 2015

Last chance to seize this bargain

Core profit for 3Q15 strongest in year thus far

WHA reported 3Q15 core net profit of Bt238m, up 91% from 2Q15 and much higher than the Bt5m reported in 3Q14. However, overall bottom line dipped to -Bt53m as a result of a Bt291m unrealized FX loss.

Results highlights

WHA-only rental income of Bt186m grew 28% YoY, and was flat QoQ. Land presales from HEMRAJ came in at 156rai while land transfers were flat YoY at Bt198m. Equity income (mainly from HEMRAJ's power business) reached the record high of Bt465m as its power plants had good dispatch and good availability throughout the quarter. However, the power investments also caused unrealized FX loss of Bt291m (See *FX loss clouds decent results* for details). Most importantly, its interest expense was reported 7% below our estimate at Bt650m, while SG&A of Bt194m sadly showed no cost savings from shared resources as yet, and was thus above our estimate.

Outlook

Although we expect a slow overall recovery in WHA's operations, its repayment schedule remains within our anticipation. The WHABT IPO is set for 16 Nov and WHART's second offering remains on track, providing ~Bt7bn in total proceeds in 4Q15. The Bt7.8bn HREIT's set-up is more likely to be delayed to 1Q16 as per our anticipation, however WHA should be able to meet its 2.5x bond covenant by the end of the year (*Market has deeply misjudged its strong profit recovery*). Specifically, we expect its built-to-suit and utilities businesses' decent growth to remain unaffected. We also expect a small reversal of the FX loss in 4Q15 as the USD/THB recovered QTD.

What's changed?

Accounting for 3Q15's low presales, we revise down our 2015 presales target to 750 rai and maintain our 2016 target of 900 rai. We also removed our earlier anticipated SG&A savings from any business synergies, bringing our 2016 SG&A back up to Bt742m. Nevertheless, this will be entirely offset by our adjustment in HEMRAJ's land sales GPM assumption to 58%, from 52%, which should also relieve any backlog concerns. We maintain our view that the HREIT's establishment will be in 1Q16 and thus the firm's LBO repayment schedule and interest expenses remain unchanged.

Recommendation

We reiterate our BUY rating with a target price of Bt4. This will be the last chance for investors to buy the stock at its most bargaining price—2016 core PER is at 12.1x, much below the sector's LT average PER of 14.4x. Although we only anticipate good growth in built-to-suit rental and utilities (38% EBITDA growth YoY), the LBO repayment schedule has started and is mostly independent of the group's ongoing operating income. For WHA-W2 holders, we also recommend exercising the warrant, as it is trading at discount to the underlying price.

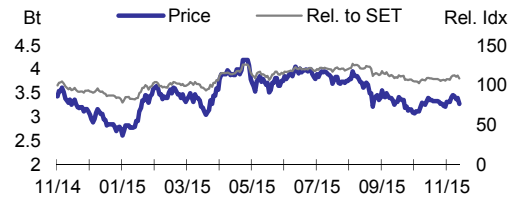
Sector: Property (Industrial) – NEUTRAL

Rating: BUY

Target Price: Bt4.00

Price (12 November 2015): Bt3.28

Price chart

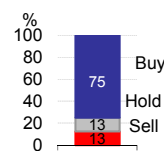


Share price perf. (%)	1M	3M	12M
Relative to SET	2.0	(12.3)	(79.5)
Absolute	-	(13.7)	(90.9)

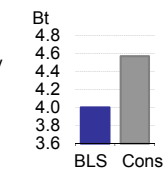
Key statistics

Market cap	Bt43.1bn	USD1.2bn
12-mth price range	Bt3.0/Bt42.0	
12-mth avg daily volume	Bt129m	USD3.6m
# of shares (m)	13,144	
Est. free float (%)	24.1	
Foreign limit (%)	49.0	

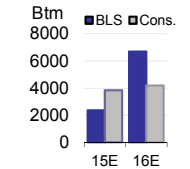
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	4,888	8,863	9,822	10,615
Net profit (Btm)	978	2,351	6,688	7,046
EPS (Bt)	0.10	0.16	0.46	0.49
EPS growth (%)	-36%	+60.3%	+184.5%	+5.4%
Core profit (Btm)	979	1,960	4,241	7,046
Core EPS (Bt)	0.10	0.13	0.27	0.45
Core EPS growth (%)	-36%	+23.5%	+116.4%	+66.1%
PER (x)	29.0	20.2	7.1	6.7
PBV (x)	6.3	2.0	1.7	1.8
Dividend (Bt)	0.0	0.1	0.2	0.2
Dividend yield (%)	1.4	2.0	5.6	5.9
ROE (%)	22.7	19.1	28.4	25.7

CG rating



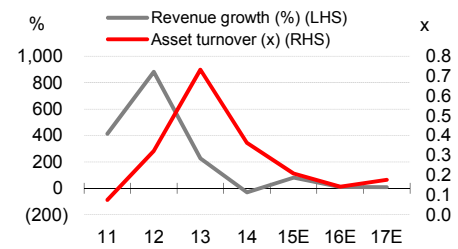
Thanatthep Chantarakarn
Securities Fundamental Investment Analyst
Thanatthep.c@bualuang.co.th
+66 2 618 1340

Jiramate Ratapipat
Analyst Assistant

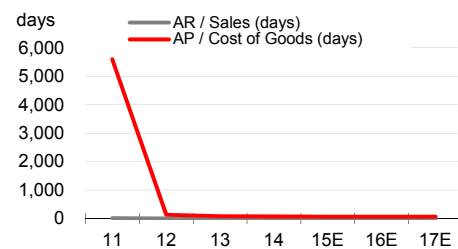
WHA: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	7,085	4,888	8,863	9,822	10,615
Cost of sales and services	(5,141)	(3,269)	(4,893)	(4,143)	(3,069)
Gross profit	1,945	1,619	3,970	5,679	7,547
SG&A	(132)	(283)	(782)	(742)	(712)
EBIT	1,813	1,335	3,188	4,937	6,835
Interest expense	(183)	(295)	(2,010)	(1,247)	(655)
Other income/exp.	84	170	292	8	67
EBT	1,714	1,210	1,470	3,698	6,247
Corporate tax	(249)	(224)	(397)	(751)	(1,027)
After-tax net profit (loss)	1,465	986	1,073	2,948	5,219
Minority interest	0	0	(309)	(252)	(345)
Equity earnings from affiliates	0	(8)	1,195	1,546	2,172
Extra items	0	(1)	392	2,447	0
Net profit (loss)	1,465	978	2,351	6,688	7,046
Reported EPS	0.16	0.10	0.16	0.46	0.49
Fully diluted EPS	0.16	0.10	0.15	0.43	0.45
Core net profit	1,465	979	1,960	4,241	7,046
Core EPS	0.16	0.10	0.13	0.27	0.45
EBITDA	1,950	1,514	3,433	5,243	7,134
KEY RATIOS					
Revenue growth (%)	226.7	(31.0)	81.3	10.8	8.1
Gross margin (%)	27.4	33.1	44.8	57.8	71.1
EBITDA margin (%)	27.5	31.0	38.7	53.4	67.2
Operating margin (%)	25.6	27.3	36.0	50.3	64.4
Net margin (%)	20.7	20.0	26.5	68.1	66.4
Core profit margin (%)	20.7	20.0	22.1	43.2	66.4
ROA (%)	15.1	7.2	5.5	9.6	11.6
ROCE (%)	19.4	8.8	5.9	10.0	12.1
Asset turnover (x)	0.7	0.4	0.2	0.1	0.2
Current ratio (x)	1.3	1.9	3.6	4.4	9.0
Gearing ratio (x)	1.1	2.0	1.9	1.5	0.9
Interest coverage (x)	9.9	4.5	1.6	4.0	10.4
BALANCE SHEET (Btm)					
Cash & Equivalent	983	2,186	15,867	20,460	(1,165)
Accounts receivable	48	104	43	48	52
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	45,879	40,246	41,042
Total assets	11,049	15,952	69,447	69,434	51,610
Accounts payable	1,123	597	836	705	521
ST debts & current portion	290	657	7,771	7,768	331
Long-term debt	4,202	8,369	35,724	31,935	23,025
Other liabilities	1,280	1,849	1,816	1,816	1,816
Total liabilities	6,895	11,472	46,147	42,224	25,692
Paid-up capital	918	964	1,446	1,446	1,446
Share premium	1,549	1,549	9,330	12,222	12,222
Retained earnings	1,520	1,801	3,212	7,225	11,453
Shareholders' equity	4,154	4,480	20,079	26,994	27,870
Minority interests	0	0	3,221	329	(1,840)
Total Liab.&Shareholders' equity	11,049	15,952	69,447	69,547	51,723
CASH FLOW (Btm)					
Net income	1,465	978	2,351	6,688	7,046
Depreciation and amortization	137	179	245	305	299
Change in working capital	(123)	(378)	(10,642)	(3,101)	(7,638)
FX, non-cash adjustment & others	(1,265)	(775)	0	0	0
Cash flows from operating activities:	214	4	(8,045)	3,893	(293)
Capex (Invest)/Divest	(603)	(2,992)	170	(921)	(3,167)
Others	(1,150)	(1,607)	464	0	0
Cash flows from investing activities:	(1,753)	(4,599)	634	(921)	(3,167)
Debt financing (repayment)	981	5,298	14,260	2,781	(16,347)
Equity financing	0	0	9,288	0	0
Dividend payment	(96)	(652)	(940)	(2,675)	(2,818)
Others	(1,150)	(1,607)	464	0	0
Cash flows from financing activities	884	4,647	22,608	106	(19,165)
Net change in cash	(655)	51	15,196	3,078	(22,625)
Free cash flow (Btm)	(389)	(2,988)	(7,876)	2,972	(3,460)
FCF per share (Bt)	(0.0)	(0.3)	(0.5)	0.2	(0.2)
Key Assumptions	2013	2014	2015E	2016E	2017E
Net profit ex. asset divestment (Bt m)	166	(51)	1,024	1,014	6,156
Leased area (sq.m)	294,261	255,462	186,548	229,126	276,981
New lease area (sq.m)	n.a.	n.a.	120,000	200,000	210,000
Spin-off space (sq.m)	n.a.	n.a.	174,914	157,422	162,145

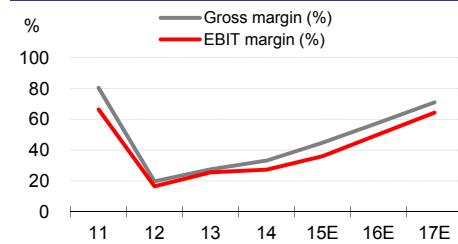
Revenue growth and asset turnover



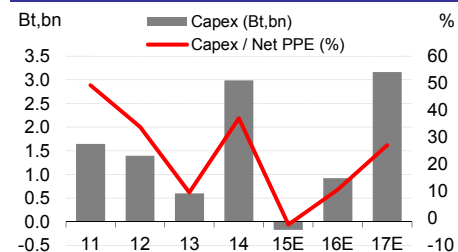
A/C receivable & A/C payable days



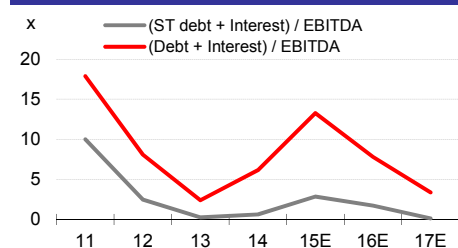
Profit margins



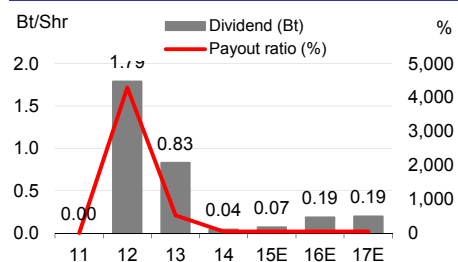
Capital expenditure



Debt serviceability



Dividend payout



WHA: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q14	4Q14	1Q15	2Q15	3Q15
Revenue	145	4,506	427	1,369	1,067
Cost of sales and services	(59)	(3,137)	(252)	(653)	(466)
Gross profit	86	1,369	174	716	601
SG&A	(35)	(187)	(82)	(326)	(194)
EBIT	51	1,183	93	390	407
Interest expense	(79)	(118)	(205)	(730)	(651)
Other income/exp.	35	71	46	151	94
EBT	8	1,135	(67)	(189)	(149)
Corporate tax	(1)	(220)	(5)	(14)	(35)
After-tax net profit (loss)	6	915	(72)	(203)	(184)
Minority interest	0	0	(8)	(75)	(43)
Equity earnings from affiliates	(1)	(2)	76	402	465
Extra items	35	(18)	(1)	101	(291)
Net profit (loss)	40	896	(5)	226	(53)
Reported EPS	0.04	0.09	(0.00)	0.02	(0.00)
Fully diluted EPS	0.00	0.09	(0.00)	0.01	(0.00)
Core net profit	5	914	(4)	125	238
Core EPS	0.00	0.09	(0.00)	0.01	0.02
EBITDA	87	1,253	138	541	502

KEY RATIOS

Gross margin (%)	59.4	30.4	40.9	52.3	56.4
EBITDA margin (%)	60.0	27.8	32.4	39.5	47.0
Operating margin (%)	35.6	26.2	21.7	28.5	38.2
Net margin (%)	27.7	19.9	(1.1)	16.5	(4.9)
Core profit margin (%)	3.6	20.3	(0.9)	9.1	22.3
BV (Bt)	3.9	0.5	12.6	1.2	1.2
ROE (%)	4.5	88.9	(0.2)	6.6	(1.5)
ROA (%)	1.1	22.0	(0.0)	1.1	(0.3)
Current ratio (x)	1.0	1.9	1.6	2.1	1.6
Gearing ratio (x)	3.2	2.0	2.9	3.3	3.2
Interest coverage (x)	0.7	10.0	0.5	0.5	0.6

QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	695	2,186	5,308	6,151	1,684
Accounts receivable	94	104	317	370	365
Inventory	0	0	0	0	0
PP&E-net	10,907	8,078	17,552	14,587	15,417
Other assets	4,932	5,584	58,941	61,182	61,793
Total assets	16,628	15,952	82,118	82,288	79,259
Accounts payable	630	597	12,539	3,308	2,600
ST debts & current portion	2,249	657	3,001	8,993	11,128
Long-term debt	9,087	8,369	45,363	47,636	42,821
Other liabilities	1,079	1,849	4,678	5,401	6,016
Total liabilities	13,044	11,472	65,581	65,337	62,565
Paid-up capital	964	964	1,314	1,314	1,314
Share premium	1,549	1,549	9,330	9,330	9,330
Retained earnings	888	1,801	1,797	2,023	1,664
Shareholders equity	3,584	4,480	13,433	13,774	13,473
Minority interests	0	0	3,103	3,178	3,221
Total Liab.&Shareholders' equity	16,628	15,952	82,118	82,289	79,259

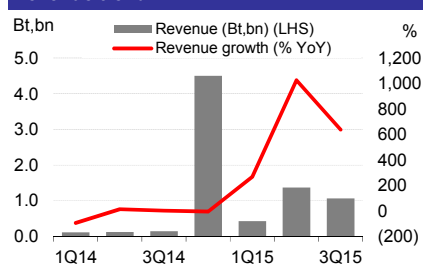
Key Statistics

	3Q14	4Q14	1Q15	2Q15	3Q15
Net profit ex. asset divestment (Bt m)	5	(116)	(4)	125	238
Leased area (sq.m)	359,746	255,462	273,633	296,530	311,530
New lease area (sq.m)	47,451	62,823	18,171	22,897	15,000
Spin-off space (sq.m)	0	167,107	0	0	0

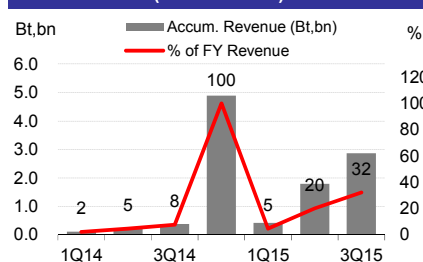
Company profile

WHA Corporation Public Company Limited (WHA) develops and rents out warehouses, distribution centers and factories. These projects consist of the customized requirements project (Built-to-Suit) and high-standard projects (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 as property manager for WHAPF.

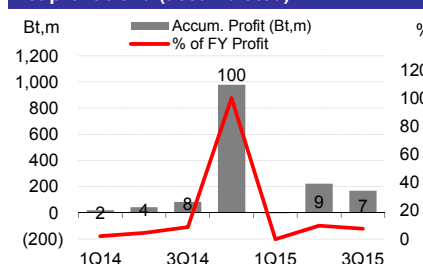
Revenue trend



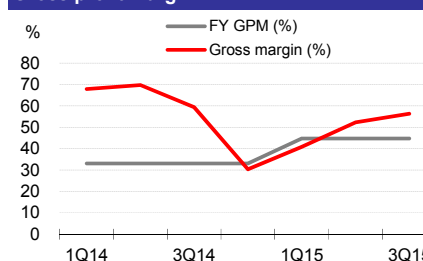
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

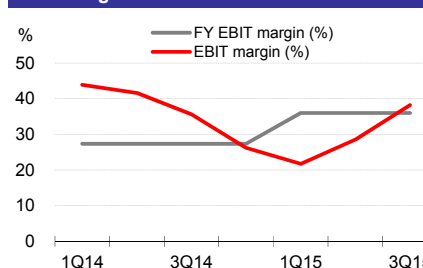


Figure 1 : 3Q15 results

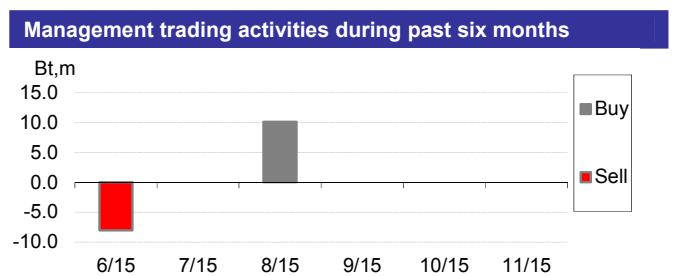
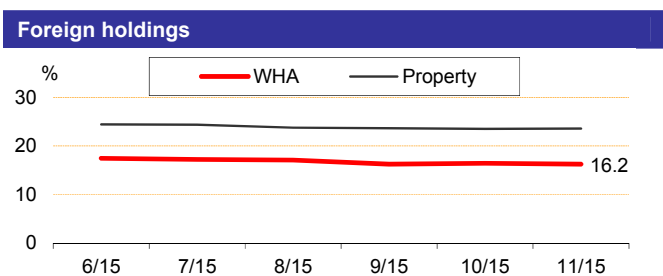
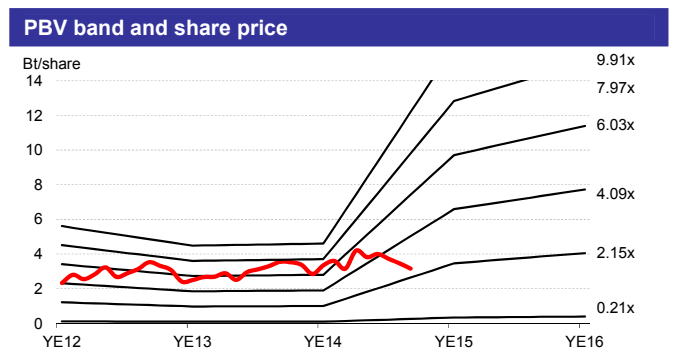
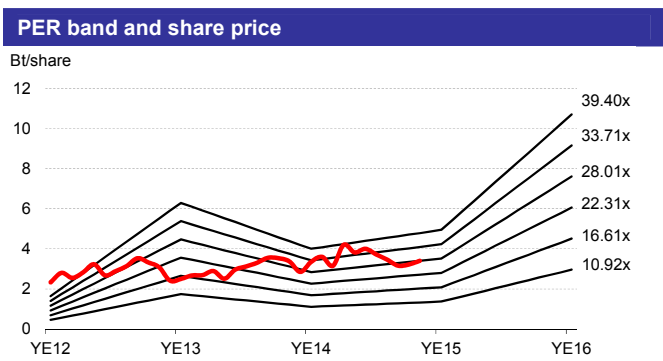
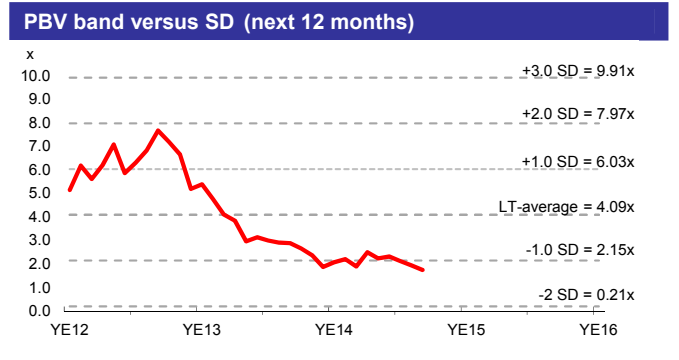
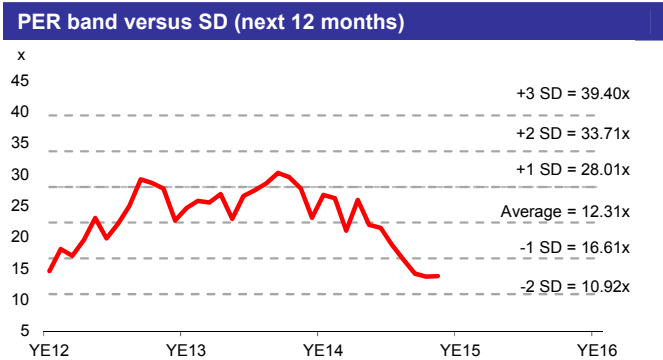
FY Ended 31 Dec (Btm)	3Q15	3Q14	YoY %	2Q15	QoQ %	9M15	9M14	YoY %
Income Statement								
Revenue	1,067	145	638	1,369	(22)	2,862	382	649
Cost of sales and services	(466)	(59)	694	(653)	(29)	(1,371)	(133)	934
EBITDA	502	87	478	541		1,181	252	
EBIT	407	51	692	390	5	890	153	482
Interest expense	(651)	(79)	724	(730)	(11)	(1,586)	(177)	797
Other income/exp.	94	35	167	151	(38)	291	99	194
Equity earnings from affiliates	465	(1)	nm	402	16	943	(6)	nm
Extra items	(291)	35	(935)	101	(387)	(190)	17	(1,194)
EBT	(149)	8	(2,025)	(189)	nm	(405)	75	(639)
Corporate tax	(35)	(1)	2,369	(14)	148	(55)	(4)	1,212
Minority interest	(43)	0	nm	(75)	nm	(125)	0	nm
Net profit (loss)	(53)	40	(231)	226	(123)	169	82	105
Reported EPS	(0.00)	0.04	(108)	0.0	(123)	0.01	0.09	(90)
Core net profit	238	5	4,441	125	91	359	65	452
Key ratios								
Gross margin (%)	56.4	59.4		52.3		52.1	65.3	
EBITDA margin (%)	47.0	60.0		39.5		41.3	66.0	
EBIT margin (%)	38.2	35.6		28.5		31.1	40.0	
Tax rate (%)	(23.6)	18.4		(7.5)		(13.5)	5.5	
Net margin (%)	(4.9)	27.7		16.5		5.9	21.6	
Current ratio (x)	1.6	1.0		2.1		1.6	1.0	
Gearing ratio (x)	3.2	3.2		3.3		3.2	3.2	
Interest coverage (x)	0.6	0.7		0.5		0.6	0.9	
Balance Sheet								
Cash & Equivalent	1,684	695	142	6,151	(73)			
Total assets	79,259	16,628	377	82,288	(4)			
ST debts & current portion	11,128	2,249	395	8,993	24			
Long-term debt	42,821	9,087	371	47,636	(10)			
Total liabilities	62,565	13,044	380	65,337	(4)			
Retained earnings	1,664	888	87	2,023	(18)			
Shareholders equity	13,473	3,584	276	13,774	(2)			
Minority interests	3,221	0	nm	3,178	1			
BV (Bt)	1.2	3.9	(70)	1.2	(2)			

- Revenue increased YoY from the consolidation of HEMRAJ operations. However, it fell QoQ as land transfers slid
- Gross margin improved QoQ as HEMRAJ was able to command higher land sales price, however decreased YoY as land sales have lower GM than rental business (WHA acquired HEMRAJ in 1Q15)
- 3Q15 core net profit achieved an all-time high for 2015 as the firm achieved a strong gross profit and the highest power income for the year.
- Unrealized FX loss of Bt291m pushed overall net profit into the red for 3Q15

Sources: Company data, Bualuang Research estimates

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	417	12.8	11.7	-47.8	9.8	0.8	0.8	9.0	8.1	2.2	3.4
Hemaraj Land and Developer	HEMRAJ TB	THB4.34	1,175	16.1	4.8	-11.7	237.2	2.8	3.4	17.7	66.3	13.4	15.1
Ticon Industrial Connection	TICON TB	THB11.60	356	19.9	11.9	-15.9	66.8	0.8	0.6	4.7	5.7	3.5	5.9
Thai Factory Development	TFD TB	THB2.90	104	9.3	6.7	n.m.	38	1.0	0.8	20.6	15.7	8.8	8.9
Wha Corporation	WHA TB	THB3.28	1,202	21.8	7.7	48.3	184.5	2.0	1.7	19.1	28.4	2.0	5.6
Simple average				16.0	8.6	-6.8	107.3	1.5	1.5	14.2	24.8	6.0	7.8








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SPRC	SPRC

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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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.