


Company Note

I Thailand

ADD (no change)

Current price:	THB2.88
Target price: 	THB3.40
Previous target:	THB3.40
Up/downside:	18.1%
Reuters:	WHA.BK
Bloomberg:	WHA TB
Market cap:	US\$1,156m
	THB41,249m
Average daily turnover:	US\$2.27m
	THB81.94m
Current shares o/s	14,322m
Free float:	24.1%

Key changes in this note

- ▶ FY16-18F EPS decreased by 0.55-0.76%.
- ▶ FY16-17F Interest expenses dropped by 0.4%; FY18F interest expenses increased by 0.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.7	-3.4	-17.7
Relative (%)	1.5	0.1	-1.6

Analyst(s)



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WHA Corporation

Asset sales are the key

- FY15 net profit increased 99.6% yoy to THB1.95bn, in line with our forecast but below market expectations by 25%.
- The jump in 2015 net profit was driven by consolidation of Hemaraj's operations.
- Key focus for WHA in 2016 is asset sales to REITs to deleverage its balance sheet.
- WHA plans to spin off Hemaraj's utilities & power business to unlock value in 4Q16.
- Maintain Add on diminishing balance sheet risk and promising growth outlook.

Record high net profit

WHA posted a 4Q15 net profit of THB1.78bn, up 95.4% yoy and a turnaround from a net loss of THB52.7m in 3Q15 mainly due to sales of warehouses worth THB4.49bn to a REIT and a surge in land transfers of Hemaraj. FY15 net profit rose 99.6% yoy to THB1.95bn, in line with our forecast but below market expectations by 25%. The jump in net profit was driven by the consolidation of Hemaraj's operations since 17 Mar 15, partly offset by the financial cost for the acquisition of Hemaraj amounting to THB1.29bn.

A surge in revenue boosted by Hemaraj acquisition

Rental, service and utilities income in 2015 surged 439% yoy to THB2.97bn due to an increase in leasable area of warehouses and factories of WHA and Hemaraj as well as consolidated rental & utilities income of Hemaraj. Meanwhile, income from real estate sales grew 95.2% yoy to THB8.47bn as a result of 1) Hemaraj's revenue from land sales of THB3.93bn, and 2) higher sales of investment property to a REIT.

Gross margin affected by PPA

Gross margin from the rental & utilities business fell to 54.3% in 2015 from 60.3% in 2014 due to 1) a change in revenue mix between utility and rental businesses, and 2) accounting impact from the purchase price allocation (PPA) when WHA acquired Hemaraj. Gross margin from sales of investment property narrowed to 24.6% in 2015 from 29.7% in 2014 owing to a provision of THB160.3m to guarantee rental income to a REIT and impact of PPA.

Asset sales are key to WHA's deleveraging

We believe the key focus for WHA in 2016 is asset sales to REITs to deleverage its balance sheet. The company expects to sell Hemaraj's ready-built factories and warehouses to H-REIT in 3Q16, and its warehouses to WHART in Dec 16. WHA's balance sheet is likely to continue deleveraging, with its D/E ratio falling from 2.21x in 2015 to 1.79x in 2016 and 1.49x in 2017.

Maintain Add on diminishing balance sheet risk

We fine-tune our FY16-18 EPS with the release of 2015 results. We maintain Add and a TP based on 11.5x FY17 P/E, 1.25 s.d. below its historical average forward P/E. We believe the current share price correction is pricing in poor market conditions and concerns over its high leverage after the Hemaraj buy and the delay of its asset sale to H-REIT. WHA's EPS should rise at a CAGR of 37.4% in 2016-17 backed by asset sales to REITs, growing rental income, and lower interest expenses from deleveraging.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues (THBm)	4,888	11,437	17,415	13,237	12,168
Operating EBITDA (THBm)	1,514	3,648	5,455	4,584	4,657
Net Profit (THBm)	979	1,954	4,411	4,215	4,411
Core EPS (THB)	0.10	0.16	0.31	0.29	0.31
Core EPS Growth	(34.4%)	56.6%	97.5%	(4.4%)	4.7%
FD Core P/E (x)	28.93	18.50	9.35	9.79	9.35
DPS (THB)	0.08	0.02	0.00	0.06	0.12
Dividend Yield	2.66%	0.85%	0.00%	2.04%	4.18%
EV/EBITDA (x)	24.22	19.54	13.39	15.08	14.50
P/FCFE (x)	69.3	NA	NA	NA	427.9
Net Gearing	187%	192%	157%	132%	121%
P/BV (x)	6.32	1.93	1.85	1.60	1.45
ROE	22.7%	16.9%	21.5%	17.5%	16.3%
% Change In Core EPS Estimates			(0.63%)	(0.55%)	(0.76%)
CIMB/consensus EPS (x)			1.12	0.93	

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

FYE Dec (THB m)	4QFY15	4QFY14	yoy % chg	3QFY15	qoq % chg	4QFY15 Cum	4QFY14 Cum	yoy % chg	Prev. FY15F Comment
Revenue	8,575.1	4,505.9	90.3	1,066.8	703.8	11,437.0	4,887.9	134.0	11,334.2 In line
Operating costs	(6,317.0)	(3,254.0)	94.1	(496.8)	1,171.6	(7,789.3)	(3,373.4)	130.9	(7,568.2)
EBITDA	2,258.1	1,251.9	80.4	570.0	296.1	3,647.7	1,514.5	140.9	3,766.0 In line
EBITDA margin (%)	26.3	27.8	(1.5)	53.4	(27.10)	31.9	31.0	0.9	33.2
Deprn & amort.	(274.0)	(69.3)	295.2	(162.7)	68.4	(774.6)	(179.1)	332.6	(787.8)
EBIT	1,984.1	1,182.6	67.8	407.3	387.1	2,873.1	1,335.4	115.1	2,978.2 In line
Interest expense	(698.7)	(118.0)	492.3	(650.8)	7.4	(2,284.3)	(294.8)	674.8	(2,262.0) In line
Interest & invt inc	234.6	70.7	231.7	94.1	149.2	627.1	169.8	269.3	556.1 Higher than expected
Associates' contrib	385.5	(1.8)	22,025.4	174.7	120.7	1,038.0	(7.7)	(13,511.1)	1,037.4 In line
Exceptionals	-	-	n.a.	-	n.a.	-	-	n.a.	-
Pretax profit	1,520.0	1,135.3	33.9	(149.3)	1,117.7	1,215.9	1,210.4	0.5	1,272.3 Broadly in line
Tax	(32.4)	(219.9)	(85.3)	(35.2)	(7.8)	(87.0)	(224.1)	(61.2)	(76.3)
Tax rate (%)	2.1	19.4	(17.2)	(23.6)	25.7	7.2	18.5	(11.4)	6.0
Minority interests	(88.1)	0.0	n.a.	(42.9)	105.3	(213.2)	0.0	n.a.	(262.2) Lower than expected
Net profit	1,784.9	913.7	95.4	(52.7)	3,484.3	1,953.7	978.6	99.6	1,971.2 In line with our expectation but below market expectation by 25%
Core net profit	1,784.9	913.7	95.4	(52.7)	3,484.3	1,953.7	978.6	99.6	1,971.2
EPS (THB)	0.142	0.093	53.3	(0.004)	3,720.3	0.156	0.100	56.6	0.149
Core EPS (THB)	0.142	0.093	53.3	(0.004)	3,720.3	0.156	0.100	56.6	0.149

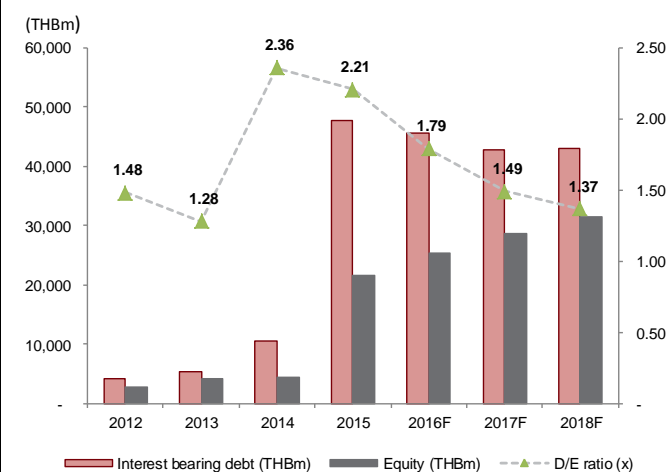
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Operating statistics

(THBm)	4QFY15	4QFY14	% yoy	3QFY15	% qoq	FY15	FY14	% yoy
Rental, service and utilities income	839.9	169.1	396.7	869.2	(3.4)	2,970.7	551.1	439.0
Income from sales of real estate	7,735.1	4,336.8	78.4	197.6	3,814.5	8,466.3	4,336.8	95.2
Income from dividend and management fee	79.5	60.7	31.0	31.3	154.0	189.0	146.7	28.8
Other income	155.2	10.0	1,452.0	62.9	146.7	438.2	23.1	1,797.0
Total revenue	8,809.7	4,576.6	92.5	1,161.0	658.8	12,064.1	5,057.7	138.5

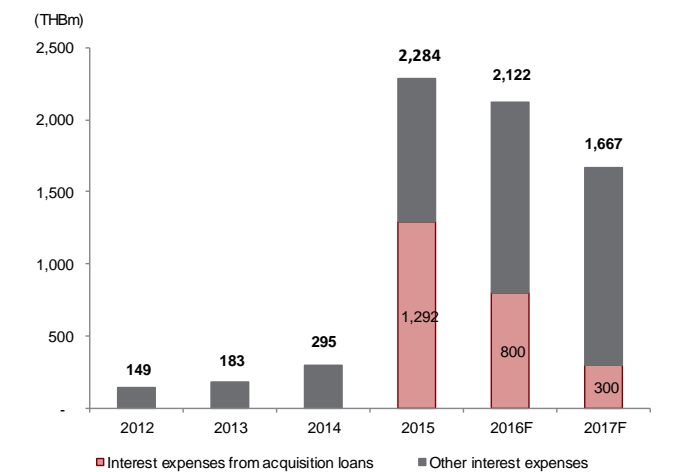
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Debt-to-equity ratio in 2012-18



SOURCES: CIMB, COMPANY REPORTS

Figure 4: Interest expenses



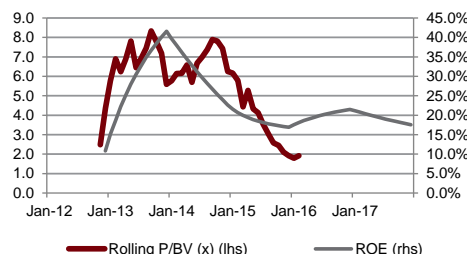
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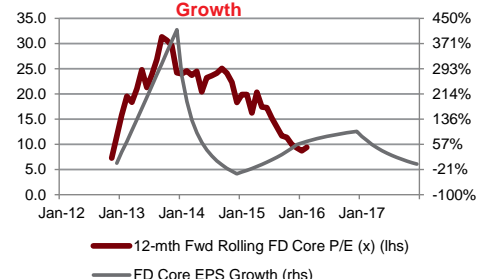
Share price info

Share px perf. (%)	1M	3M	12M
Relative	1.5	0.1	-1.6
Absolute	6.7	-3.4	-17.7
Major shareholders			% held
WHA Holding			25.1
Ms. Jareeporn Jarukornsakul			12.9
Mr. Somyos Anantaprayoon			12.1

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(THBm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	4,888	11,437	17,415	13,237	12,168
Gross Profit	1,619	4,006	6,074	5,267	5,312
Operating EBITDA	1,514	3,648	5,455	4,584	4,657
Depreciation And Amortisation	(179)	(775)	(830)	(863)	(923)
Operating EBIT	1,335	2,873	4,625	3,720	3,734
Financial Income/(Expense)	(295)	(2,284)	(2,122)	(1,667)	(1,477)
Pretax Income/(Loss) from Assoc.	(8)	1,038	1,507	1,614	1,558
Non-Operating Income/(Expense)	170	627	724	836	913
Profit Before Tax (pre-EI)	1,203	2,254	4,735	4,503	4,728
Exceptional Items					
Pre-tax Profit	1,203	2,254	4,735	4,503	4,728
Taxation	(224)	(87)	(258)	(289)	(317)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	979	2,167	4,476	4,215	4,411
Minority Interests	0	(213)	(66)	0	0
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	979	1,954	4,411	4,215	4,411
Recurring Net Profit	979	1,954	4,411	4,215	4,411
Fully Diluted Recurring Net Profit	979	1,954	4,411	4,215	4,411

Cash Flow

(THBm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	1,514	3,648	5,455	4,584	4,657
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(2,980)	(14,962)	5,091	(239)	(691)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(125)	(1,657)	(1,397)	(831)	(564)
Net Interest (Paid)/Received	(295)	(2,284)	(2,122)	(1,667)	(1,477)
Tax Paid	(224)	(87)	(258)	(289)	(317)
Cashflow From Operations	(2,109)	(15,343)	6,769	1,557	1,608
Capex	(1,983)	(15,413)	(1,241)	(122)	(1,396)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(746)	(21,562)	(4,913)	(256)	(258)
Cash Flow From Investing	(2,729)	(36,974)	(6,154)	(379)	(1,654)
Debt Raised/(repaid)	5,247	37,205	(2,244)	(2,644)	142
Proceeds From Issue Of Shares	46	12,114	(803)	0	0
Shares Repurchased					
Dividends Paid	(652)	(306)	0	(843)	(1,725)
Preferred Dividends					
Other Financing Cashflow	248	5,488	2,209	1,667	1,477
Cash Flow From Financing	4,889	54,501	(838)	(1,819)	(107)

BY THE NUMBERS

Balance Sheet

(THBm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	2,199	6,246	5,664	5,022	4,870
Properties Under Development					
Total Debtors	104	346	611	464	427
Inventories	0	15,425	12,431	11,609	11,864
Total Other Current Assets	3,379	4,215	4,572	4,424	4,399
Total Current Assets	5,682	26,233	23,278	21,519	21,560
Fixed Assets	67	3,842	2,801	3,124	3,404
Total Investments	10,096	27,115	30,479	31,574	33,870
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	107	21,905	23,990	23,781	23,577
Total Non-current Assets	10,270	52,862	57,270	58,479	60,850
Short-term Debt	1,813	1,881	3,676	3,676	3,676
Current Portion of Long-Term Debt	391	14,889	5,949	2,860	2,133
Total Creditors	597	3,381	4,847	3,511	3,020
Other Current Liabilities	130	750	1,645	1,624	1,616
Total Current Liabilities	2,931	20,902	16,117	11,671	10,446
Total Long-term Debt	8,366	31,005	35,906	36,352	37,221
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	174	5,529	3,105	3,185	3,267
Total Non-current Liabilities	8,541	36,534	39,011	39,536	40,488
Total Provisions	0	0	0	0	0
Total Liabilities	11,472	57,436	55,128	51,208	50,933
Shareholders' Equity	4,480	18,656	22,350	25,722	28,408
Minority Interests	0	3,003	3,069	3,069	3,069
Total Equity	4,480	21,659	25,419	28,791	31,477

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	(31%)	134%	52%	(24%)	(8%)
Operating EBITDA Growth	(22%)	141%	50%	(16%)	2%
Operating EBITDA Margin	31.0%	31.9%	31.3%	34.6%	38.3%
Net Cash Per Share (THB)	(0.85)	(3.31)	(2.78)	(2.64)	(2.66)
BVPS (THB)	0.46	1.49	1.56	1.80	1.98
Gross Interest Cover	4.53	1.26	2.18	2.23	2.53
Effective Tax Rate	18.6%	3.9%	5.5%	6.4%	6.7%
Net Dividend Payout Ratio	66.6%	15.7%	NA	20.0%	39.1%
Accounts Receivables Days	5.68	7.18	10.06	14.83	13.37
Inventory Days	0.0	378.9	449.5	550.5	624.9
Accounts Payables Days	96.1	97.7	132.8	191.4	173.9
ROIC (%)	98.0%	78.5%	8.9%	7.8%	7.8%
ROCE (%)	10.9%	6.8%	6.6%	5.2%	5.1%
Return On Average Assets	9.00%	8.40%	7.73%	6.91%	6.89%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Unbooked Presales (m) (THB)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	-	1,100.0	1,000.0	1,100.0	1,200.0
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	33.1%	35.0%	34.9%	39.8%	43.7%
Contracted Sales ASP (per Sm) (THB)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.8%	9.9%	8.3%	11.7%	13.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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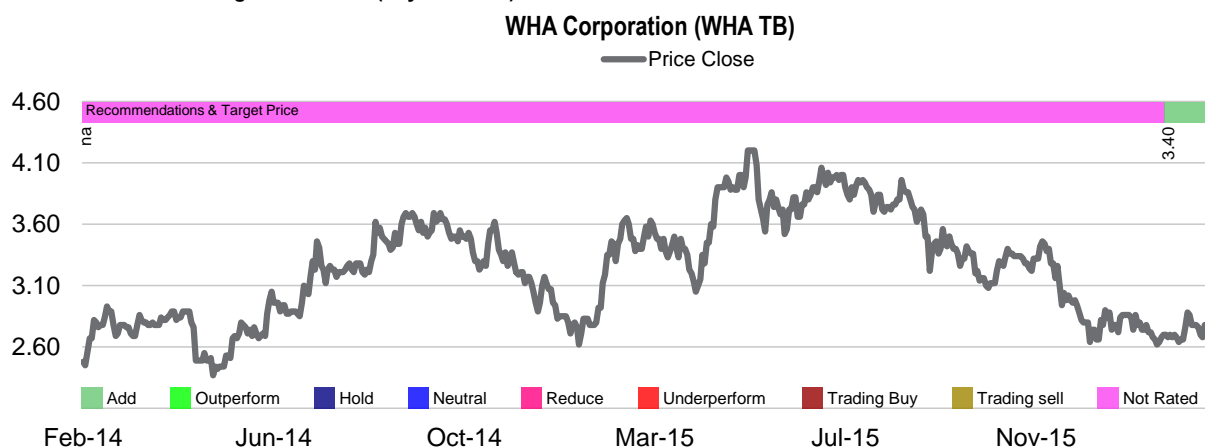
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1536 companies under coverage for quarter ended on 31 December 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	9.3%
Hold	31.5%	4.0%
Reduce	8.5%	0.7%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

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Add The stock's total return is expected to exceed 10% over the next 12 months.

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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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