

Reinitiation

Outperform (17E TP Bt3.5)

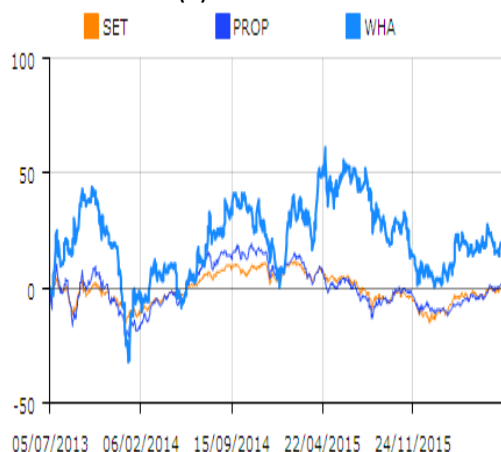
Close Bt3.12

Property Development

July 5, 2016

Plan to reduce acquisition debt is underway

Price Performance (%)



Source: SET Smart

Reinitiate with Outperform at the 2017E TP of Bt3.5

The WHA group is a fully integrated industrial and logistics facility developer in Thailand. WHA provides built-to-suit warehouses and distribution centers in prime logistics locations and also engages in a wide range of complementary businesses such as water, power, waste management, and other industrial services to support clients' operations in industrial estates. We recommend Outperform at the 2017E TP of Bt3.5, with PER of 16X. This is a combination between the historical PE of WHA (2012-15 PER of 22.5X) and Hemaraj's PE (2002-15 PER of 11X) as we expect that WHA has the potential to grow after it finishes its debt restructuring plan in 2017E; moreover, the government's plan to boost investment in the Eastern Economic Corridor will bring more investors to the company in the long term.

2016-17E earnings to rise 106.7% YoY but fall 21.6%, respectively

We estimate 2016E net profit at Bt4.0bn (+106.7% YoY) and 2017E net profit will fall to Bt3.17bn (-21.6% YoY). The high growth in 2016E is mainly from huge asset sales to REIT aimed at repaying Hemaraj's acquisition debt. The declining net profit in 2017E will mainly be from the size of asset sales returning to the normal level in line with the company's investment policy.

Debt repayment plan is underway

WHA plans to repay the remaining acquisition loan of Bt17.2bn by i) selling Hemaraj's ready-built factories and ready-built warehouses amounting to Bt6.5bn to HREIT in 4Q16 ii) selling WHA's logistics centers with total leasable area of 161,000 sqm. to WHART in 4Q16. WHA expects net proceeds from the asset divestment of around Bt4.19bn and iii) launching an Initial Public Offering of Hemaraj's utilities & power business on the SET in 4Q16.

Upside risk/Downside risk

WHA and Hemaraj hold property covering prime strategic locations and they will benefit from the government's plan to develop the Eastern Economic Corridor. Meanwhile, the risk to WHA's performance will be the delay of acquisition debt repayment and fluctuation of revenue from asset sales each year.

Financials and Valuation

FY Ended 31 Dec	2013	2014	2015	2016E	2017E
Revenues (Btm)	7,085	4,888	11,437	16,846	12,288
Net profit (Btm)	1,463	979	1,954	4,039	3,166
EPS (Bt)	0.16	0.10	0.14	0.28	0.22
EPS growth (%)	282.8	(36.3)	34.4	106.7	(21.6)
Core EPS (Bt)	0.16	0.10	0.14	0.28	0.22
Core EPS growth (%)	282.8	(36.3)	34.4	106.7	(21.6)
Dividend (Bt)	0.13	0.00	0.00	0.10	0.08
BV (Bt)	0.45	0.46	1.51	1.81	1.94
FY Ended 31 Dec	2013	2014	2015	2016E	2017E
PER (x)	19.6	30.7	22.9	11.1	14.1
Normalized PER (x)	19.6	30.7	22.9	11.1	14.1
EV/EBITDA (x)	15.5	16.2	21.3	12.8	17.8
PBV (x)	6.9	6.7	2.1	1.7	1.6
Dividend yield (%)	4.2	0.0	0.0	3.2	2.5
ROE (%)	41.6	22.7	14.9	17.0	11.8
Net gearing (%)	84.3	152.6	201.7	132.9	114.5

	FY16	FY17
Consensus EPS (Bt)	0.266	0.303
KT ZMICO vs. consensus	5.3%	-27.4%

Share data

Reuters / Bloomberg	WHA.BK/WHA TB
Paid-up Shares (m)	14,322.43
Par (Bt)	0.10
Market cap (Bt bn / US\$ m)	45.00/1,275.00
Foreign limit / actual (%)	49.00/21.09
52 week High / Low (Bt)	4.02/2.56
Avg. daily T/O (shares 000)	44,076.00
NVDR (%)	2.02
Estimated free float (%)	32.92
Beta	0.98
URL	www.wha.co.th
CGR	



Anti-corruption Level 2 (Declared)

Worarat Powpaka

Analyst, no. 17992

woraratp@ktzmico.com

66 (0) 2624-6248

Valuation

Target price based on 16.0x PER at Bt3.50

The WHA group is a fully-integrated industrial and logistics facility developer in Thailand. WHA provides built-to-suit warehouses and distribution centers in prime logistics locations for warehousing and distribution operations. It also provides a wide range of complementary businesses such as water, power, waste management, and other industrial services to support clients' operations in industrial estates.

We recommend Outperform at the 2017E TP of Bt3.5, with PER of 16X, which is a combination between the historical PER of WHA (2012-15 PER of 22.5X) and Hemaraj's PER (2002-15 PER of 11X).

Figure 1: PER Band and sensitivity of market prices based on PER at different standard deviation levels



	P/E (x)	Implied market price (Bt)	Upside/Downside (%)
+2.0SD	36.6	8.1	159.0
+1.0SD	29.5	6.5	109.0
+0.5SD	26.0	5.7	84.0
Average	22.4	5.0	59.0
-0.5SD	18.9	4.2	34.0
-1SD	15.4	3.4	9.0
2017E EPS (Bt)		0.22	
Market price (4 July 16)		3.12	

Source: Bloomberg, KT ZMICO Research

Figure 2: PBV Band and sensitivity of market prices based on PBV at different standard deviation levels



	PBV (x)	Implied market price (Bt)	Upside/Downside (%)
+2.0SD	9.0	17.5	461.4
+1.0SD	6.7	13.1	319.1
+0.5SD	5.6	10.9	248.0
Average	4.4	8.6	176.8
-0.5SD	3.3	6.4	105.7
-1.0SD	2.2	4.2	34.5
2017E BV (Bt)		1.94	
Market price (4 July 16)		3.12	

Source: Bloomberg, KT ZMICO Research

Figure 3: Peer comparison

Ticker	Mkt Cap (US\$Mn)	PER (x)		PBV (x)		EV/EBITDA (x)		YLD (%)		ROE (%)	
		16E	17E	16E	17E	16E	17E	16E	17E	16E	17E
DMAS IJ Equity	754	9.9	9.4	1.3	1.2	9.8	9.4	2.8	2.8	13.3	12.9
MMLP IJ Equity	295	24.5	18.6	1.4	1.3	30.2	18.9	0.2	0.3	6.0	8.1
AVERAGE (Indonesia)		17.2	14.0	1.4	1.2	20.0	14.2	1.5	1.6	9.7	10.5
GLP SP Equity	6,132	10.0	22.1	0.8	0.7	39.6	27.8	3.0	3.4	8.4	3.2
SCI SP Equity	3,670	9.4	8.7	0.8	0.7	10.9	10.5	4.0	4.2	8.4	8.4
AVERAGE (Singapore)		9.7	15.4	0.8	0.7	25.2	19.1	3.5	3.8	8.4	5.8
AMATA TB Equity	384	13.0	10.7	1.1	1.1	9.5	8.2	3.0	3.8	8.5	9.9
TICON TB Equity	433	18.1	19.8	1.3	1.3	18.1	16.7	3.7	3.4	6.8	6.0
WHA TB EQUITY	1,234	11.4	10.0	2.0	1.7	18.6	18.0	2.0	2.4	18.4	17.0
AVERAGE (Thailand)		14.2	13.5	1.5	1.4	15.4	14.3	2.6	3.0	11.2	11.0
AVERAGE		13.8	14.2	1.2	1.1	19.5	15.6	2.6	2.8	10.0	9.4

Source: Bloomberg consensus

Company Background

Integrated business model based on four strategic business hubs

The WHA group developed its business as a developer of built-to-suit projects for rent, including warehouses, distribution centers and factories, which are mostly large projects. It has now expanded to develop ready-built projects under warehouse farms.

WHA expanded its business with the acquisition of 92.88% of Hemaraj's shares as of 20 Apr 2015. It finished the acquisition of Hemaraj at 98.54%, delisting it from the Stock Exchange of Thailand (SET) on 2 March 2016.

After the acquisition of Hemaraj, WHA enlarged its business through Hemaraj's industrial estate business, ready-built factories and warehouses for rent businesses, as well as the utilities and power businesses.

WHA has divided the business group structure into four hubs: Industrial Hub, Logistics Hub, Utilities and Power Hub and Digital Hub.

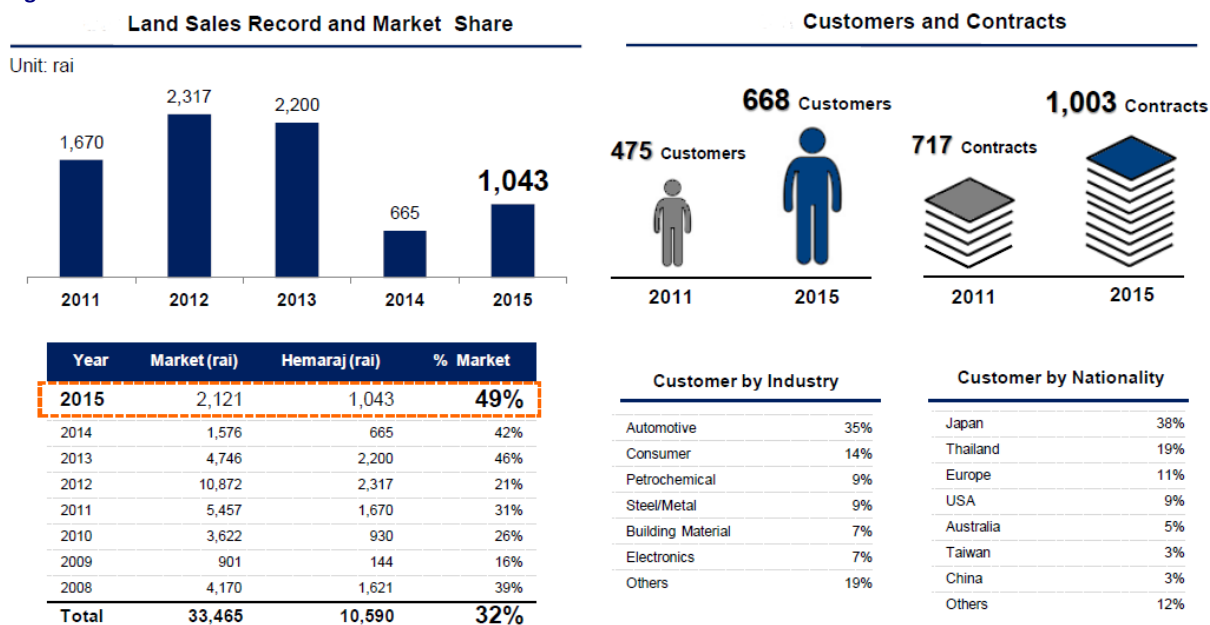
Industrial hub:

After consolidating with Hemaraj, WHA has eight industrial estates under operation and four developing areas with a combined area of 45,198 rai of land (7,232 hectares). In 2015, Hemaraj had land sales of 1,043 rai, with a total of 28 contracts (22 new customers and 6 project expansions from existing customers). It has net sellable area around 10,500 rai, which consists of 3,300 rai that are operating and 6,700 rai under development. In 2015, industrial estate land sales generated revenue of approximately Bt3.93bn.

The company had 2016 YTD (May-16) land sales of around 361 rai, which secures 36% of its full-year target at 1,000 rai. Meanwhile, the company set its land transfers target at 700 rai, and it already had transfers of approximately 110 rai in 1Q16 or 15.7% of its full-year target.

The automotive industry represents 35% of the group's customers, followed by consumer products (14%), petrochemical (9%), steel & metal (9%), building materials (7%) and electronics (7%). Japan is the first ranked with 38% of total customers, followed by Thailand (19%), Europe (11%) and the USA (9%). With 3%, China is still a relatively small portion but it is rising quickly with an increasing number of Chinese investors.

Figure 4: Industrial Estate Business



Source: HEMRAJ

Logistics hub:

WHA is the leader of built-to-suit distribution centers and warehouse developers in prime locations around Bangkok, the Eastern Seaboard and upcountry. WHA’s customers in logistics and industrial properties include Thai and foreign multinational corporations from all origins: Asia, especially from Japan, Europe and the USA.

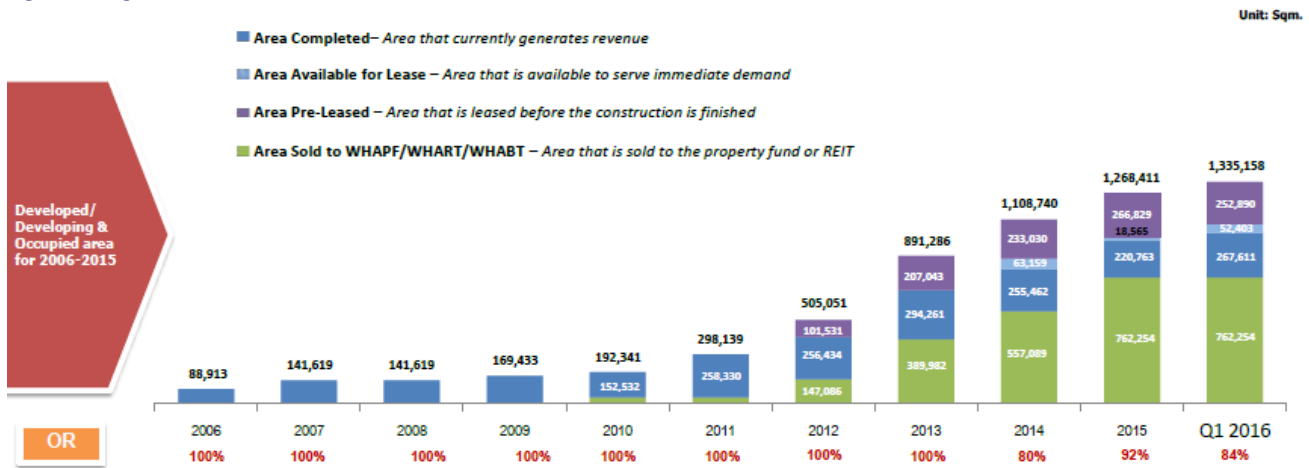
WHA focuses on responding to customers’ purpose of use and meeting the needs of tenants such as cold storage, multi-temperature and E-Commerce distribution centers. WHA has also expanded its business through Hemaraj’s ready-built factories (RBF) and warehouses for rent businesses (RBW). It has also expanded the customer base to the export and manufacturing-oriented sector. In addition, with a fully-integrated business model, WHA expects possible growth for built-to-suit factories and warehouses in Hemaraj’s industrial parks and logistics parks.

As of end-2015, WHA had total leased area under investment, development and management of 1,975,792 sqm., which rose considerably from 2014 from the acquisition of Hemaraj’s shares. WHA expects its rental space to reach over 3 million sqm. in the next 3-4 years.

During 2015, WHA secured additional new contracts for approximately 223,028 sqm., which consists of i) built-to-suit and warehouse farms (WHA) of around 203,028 sqm. and ii) ready-built (Hemaraj) of around 20,000 sqm.

In 2015, WHA had revenue from rental properties of around Bt1.4bn, increasing from Bt551mn in 2014 after consolidating Hemaraj’s rental revenue. WHA also completed asset divestments to WHART (WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust) with total net proceeds Bt3.7bn and office building monetization to WHABT (WHA Business Complex Freehold and Leasehold Real Estate Investment Trust) with net proceeds of Bt2.08bn.

Figure 5: Logistics Business



Key Takeaways

- ▶ During Q1 2016, WHA secured pre-lease area/ new contracts for Built-to-Suit and warehouse farm totals 32,909 sqm.
- ▶ During 2015, WHA sold assets to WHART with total leasable area of 174,913.55 sqm. And sold office buildings to WHABT with total leasable area of 30,251 sqm.
- ▶ The company has land bank for logistic properties approx. 710,000 sqm.¹
Remarks: 1) This area is calculated from the estimated ratio of 1-rai of land = 1,000-sqm leasable area; the actual constructed area is subject to change depending on actual design to suit clients’ requirements.

Source: WHA

Figure 6: Hemaraj's Ready-Built Factories Rented and Sold Area

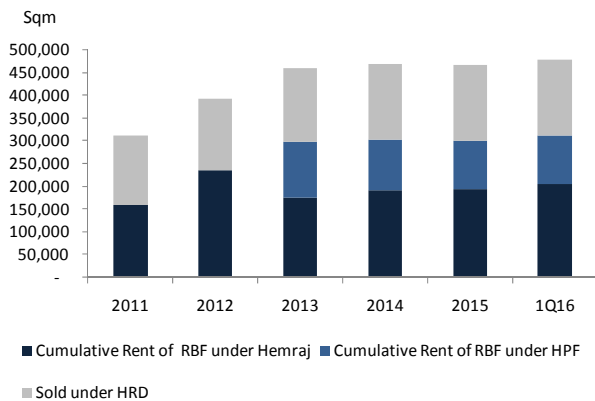
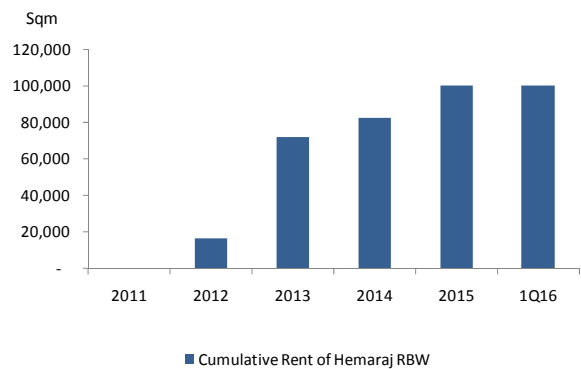


Figure 7: Hemaraj's Ready-Built Warehouses Rented Area




Source: WHA

Utilities & Power hub:

Utilities Business


Hemaraj is an exclusive utilities provider in industrial estates. It provides raw water, potable water and clarified water (total annual capacity of over 100 million cubic meter), wastewater treatment (total annual capacity of over 54 million cubic meter) and maintenance services to industrial estate customers like power plants, steel mills, automotive and petrochemical industries.

Figure 8: Utility Business




Raw Water

- Supply and distributes raw water to factories in the industrial estates.
- Main customers: power plant
- Average demand approx. 52,000 cubic meter/day



Potable & Clarified Water

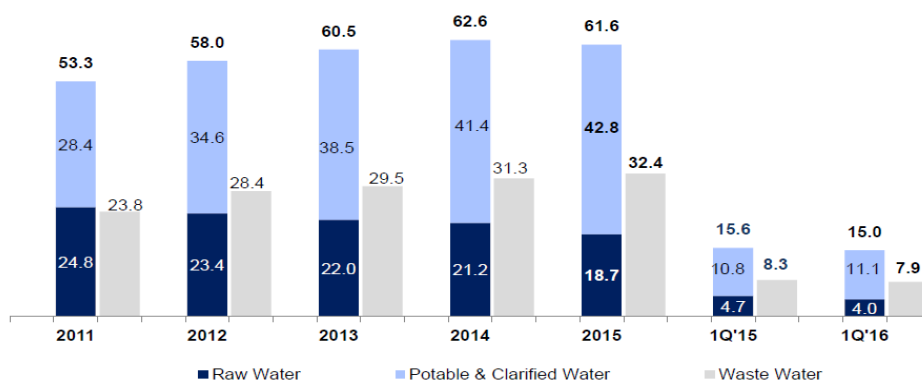
- Produces and distributes potable and clarified water to supply factories in the industrial estates
- Main customers : Petrochemical
- Total capacity approx. 280,000 cubic meter/day
- Average demand approx. 120,000 cubic meter/day



Wastewater

- Collect and provide wastewater treatment services to factories in the industrial estates
- Main customers : Petrochemical
- Total capacity approx. 150,000 cubic meter/day
- Average demand approx. 90,000 cubic meter/day

Unit: Million cubic meter



Source: WHA

Power Business

Hemaraj holds stakes in five power projects, which are Independent Power Producers (IPPs), Small Power Plants (SPPs) and solar energy with a total of 318 equity megawatts (MW). The firm has signed contracts with another seven SPP projects under development with an additional 220 equity MW. These projects are run through joint-venture partnerships with leading local and international corporations such as Glow Energy, Gulf Power, and B. Grimm. WHA is also developing waste-to-energy, wind and solar power projects.

The company realizes income from the power business as a share of profit from associates. Current shared gains are from the companies as follows:

- Gheco-one: a joint venture between Hemaraj (35% hold) and the Glow group (65% hold), operating a 660 MW IPP coal power plant in the Map Ta Phut Industrial Estate.
- Houay Ho Hydro Power: a joint venture between Hemaraj (12.75% indirectly hold) and the Glow group, operating a 152 MW IPP hydropower plant in the Lao People's Democratic Republic.
- Glow IPP: Hemaraj holds 5% equity in Glow IPP, a 713 MW IPP power project located in Hemaraj Chonburi Industrial Estate.
- Gulf JP: Hemaraj holds 25.01% equity in GJP NLL, a 126 MW SPP project located in Hemaraj Rayong Industrial Land.
- Gulf Solar: Hemaraj Energy Co. Ltd., a subsidiary of Hemaraj, holds 25.01% in Gulf Solar Co. Ltd. with Gulf Energy Development Co. Ltd., operating 0.6 MW for six solar rooftop projects in the company's industrial estate.

Projects under development

- During the period of 2016-2019, the company anticipates an increase in power generating capacity as another seven SPPs will commercially operate, resulting in an increase of net generating equity capacity to 538.1 MW (from total generating capacity of 2,533 Megawatts) within 2019.

In 2015, total income generated from the Utilities & Power Hub was Bt2.54bn; this was comprised of revenue from utilities of Bt1.56bn and share of profit from the power business at Bt979bn.

WHA plans to launch an Initial Public Offering of Hemaraj's utilities & power business on the SET in 4Q16. The listed company will be a holding company, namely, WHA Utility and Power PLC. The share sales will derive from the spinoff of existing shares and new shares, diluting the company's shareholding to 65% after listing.

Figure 9: Power Business

Current Portfolio								Committed Portfolio							
Project	Type	Fuel	Location	Ownership	Total MW	Equity MW	COD (Yr)	Project	Type	Fuel	Location	Ownership	Total MW	Equity MW	COD (Yr)
Operating Phase								Under Development							
Glow IPP	IPP	Gas	H-CIE	5.00%	713	35.7	2001	Bowin Clean Energy w/B Grimm	SPP	Cogen Gas	H-CIE	25.01%	132	33.0	2016
Houay Ho	IPP	Hydro	Laos	12.75%	152	19.4	1999	GVTP w/Gulf Mitsui	SPP	Cogen Gas	ESIE	25.01%	130	32.5	2017
Gheco-One	IPP	Coal	Map Ta Phut IE	35.00%	660	231.0	2012	GTS1 w/Gulf Mitsui	SPP	Cogen Gas	ESIE	25.01%	130	32.5	2017
GJP NLL	SPP	Cogen Gas	H-RIL	25.01%	126	31.5	2013	GTS2 w/Gulf Mitsui	SPP	Cogen Gas	ESIE	25.01%	130	32.5	2017
Gulf Solar	VSPP	Solar Rooftop	RBF/HLP	25.01%	0.6	0.15	2014	GTS3 w/Gulf Mitsui	SPP	Cogen Gas	H-ESIE	25.01%	120	30.0	2017
Operating total					19.24%	1,652	317.8	GTS4 w/Gulf Mitsui	SPP	Cogen Gas	H-ESIE	25.01%	120	30.0	2018
								GNNL2 w/Gulf Mitsui	SPP	Cogen Gas	H-RIL	25.01%	120	30.0	2019
								Development total				25.01%	882	220.5	

318 Operating Equity MW in 2015

538 Operating Equity MW in 2019

Source: WHA

Digital hub:

WHA plans to become a one-stop data service center under a joint venture company, namely, WHA Infinite Holding Co, Ltd., which is held by WHA at 90% with another 10% held by NTT Facilities, specializing in data center development. The company will start the first three data centers with initial investment of Bt1.3bn.

WHA's pilot data centers will be located in three strategic areas, as follows:

- Vibhavadi-Rangsit Road, with 100 racks, set to become operational in Nov-16, covering approximately 400 square meters
- Bangna-Trad Road, with over 800 racks, set to become operational in Dec-16, covering approximately 4,500 square meters
- Hemaraj's Industrial Estate, with over 850 racks, set to become operational in 1Q18, covering 5,000 square meters

WHA will also provide various managed services and digital solutions to serve its logistics and industrial clients, including FTTx, Cloud Computing Service, Equipment Rental, IT Outsourcing, VMS-Video Management Service, Telephony with IP-PBX technology and Call Center, E-mail, Website, Firewall, Security and Storage, Backup system, Colocation and Access Control System. Customers will be able to choose these services and solutions on a pay per use basis, according to their specific requirements.

WHA expects to complete the initial project and generate revenue in 4Q16 and anticipates revenue from the project to be approximately Bt100mn per year.

Earnings review and prospects

WHA's revenues are mainly from sales of properties and recurring income.

1. Sales of Industrial Estates

WHA started the business of industrial estate development through Hemaraj, which has developed and managed eight Industrial estates and industrial land.

2. Sales of Investment Properties

WHA has a policy to sell assets to the Fund or the Real Estate Investment Trust to be a source of funding for its future projects. WHA will consider the divestment of the assets to suit the capital needs and overall investment policy of the group.

3. Utilities

WHA operates the utilities business through operation of Hemaraj Clean Water Co., Ltd. and Hemaraj Water Co. Ltd., which are the largest private suppliers of clarified and treated potable water to industrial users within its eight industrial estates and industrial land.

4. Rental property-warehouse DC and ready-built

WHA operates the business of development and built-to-suit projects for rent, warehouse farm projects, ready-built factories and ready-built warehouses projects.

5. Other income:**5.1) Investment and real estate management**

WHA has a policy to invest in the real estate business through the Fund or Real Estate Investment Trust, which includes WHAPF, WHART and WHABT, with no more than 20% of the total investment units to generate returns in the form of dividends annually on a regular basis. However, investment in WHAPF, WHART and WHABT will depend on the requirements for investment and the fundraising amount from sales of assets to WHAPF, WHART and WHABT during such periods. Hence, the investment in WHAPF, WHART and WHABT may be different from the determined investment policy.

5.2) Real Estate Investment Trust management

WHA established WHA Real Estate Management Co., Ltd. as a subsidiary to undertake the business of management of the Real Estate Investment Trust. This company will receive a fee for management of the Real Estate Investment Trust.

Figure 10: Quarterly earnings review

Profit and Loss (Btmn)								
FY Ended 31 Dec	1Q15	4Q15	1Q16	% YoY	% QoQ	2016E	% YoY	YTD (% 2016E)
Rental and service income	267	840	809	202.4	(3.7)	3,730	25.6	21.7
Sales of real estate	159	0	362	127.3	N.M.	2,426	-38.3	14.9
Sales of investment properties	0	7,735	0	N.M.	N.M.	10,690	135.7	0.0
Total revenue	427	8,575	1,170	174.4	(86.4)	16,846	47.3	6.9
Gross profit	174	2,515	492	182.4	(80.4)	6,359	58.7	7.7
EBITDA	260	2,492	471	81.5	(81.1)	6,181	49.2	7.6
Interest expense	(205)	(699)	(611)	198.2	(12.6)	(2,218)	-2.9	27.5
Other income	46	235	104	126.9	(55.8)	342	-45.5	30.3
Income tax	(5)	(32)	8	(253.7)	(124.7)	(645)	640.7	-1.2
Gn (Ls) from affiliates	76	385	450	494.6	16.6	1,514	45.9	29.7
Net profit (loss)	(5)	1,785	120	N.M.	(93.3)	4,039	106.8	3.0
Core net profit (loss)	(4)	1,784	120	N.M.	(93.3)	4,039	106.8	3.0
Reported EPS (THB)	0.01	0.12	0.01	67.5	(93.3)	0.28	106.7	3.0
Core EPS (THB)	(0.00)	0.12	0.01	N.M.	(93.3)	0.28	106.7	3.0
Gross margin - overall (%)	40.9	29.3	42.1			37.7		
EBITDA margin (%)	60.9	29.1	40.3			36.7		
Net margin (%)	(1.1)	20.8	10.2			24.0		
Current ratio (x)	1.6	1.3	0.9			1.1		
Interest coverage (x)	0.7	3.2	0.5			2.5		
Debt / equity (x)	4.0	2.7	3.0			1.8		
BVPS (Bt)	1.02	1.30	1.32			1.81		
ROE (%)	9.0	10.2	10.1			17.0		

Source: WHA, KT ZMICO Research

1Q16 Earnings Review

1Q16 earnings recognized the full-quarter results from Hemaraj

1Q16 net profit was Bt120mn, improving from a net loss of Bt5mn in 1Q15 due to the full consolidation of Hemaraj's performance when compared to 1Q15 when the company recognized Hemaraj's performance from 17 March 2015. However, 1Q16 net profit decreased to Bt120mn from net profit of Bt1.79bn in 4Q15 as WHA sold three projects, which were WHA Mega Logistics Center (Chonlaharnpichit KM 4), WHA Mega Logistics Center (Wangnoi 61) and WHA Mega Logistics Center (Saraburi), to WHART in 4Q15, with proceeds of Bt4.6bn.

1Q16 revenue from sales of properties, rental and service income was Bt1.2bn (+174.9% YoY, -86.4% QoQ). The major contributions in 1Q16 came from i) Industrial land sales' income at Bt362mn (+127.7% YoY, -95.3% QoQ), which was derived from Hemaraj and ii) rental and utility service income at Bt809mn (+493.1% YoY, -0.6% QoQ). 1Q16 revenue rose sharply YoY due to the full-quarter consolidation of Hemaraj's rental and utility revenue compared to 1Q15, which consolidated Hemaraj's operation from 17 March 2015.

The average GPM was 42.1%, better than 38.3% in 1Q15 and 29.5% in 4Q15. WHA also realized shared profit of associates and joint ventures of the power business of Bt450mn (+494.6% YoY, +16.6% QoQ).

1Q16 SG&A-to-revenue was 23.9%, which was higher than 19.2% in 1Q15 due to the full-quarter recognition of expenses from Hemaraj and 6.2% in 4Q15 due to the lower revenue base of 1Q16 compared to 4Q15.

Interest expenses were Bt611mn (+198.2% YoY, -12.6% QoQ), which rose YoY due to the increasing bank loan in the amount of Bt31.9bn to acquire shares of Hemaraj. However, interest expenses declined QoQ after WHA reduced the acquisition loan via divestment of non-core assets of Hemaraj, divestment of WHA's office buildings to WHABT, divestment of warehouse distribution to WHART, the exercise of WHA-W2 warrants and dividend proceeds from Hemaraj to repay debts from financial institutions totaling Bt13.4bn or 42% of the total acquisition loan.

2016-17E earnings to rise 106.7% YoY but fall 21.6%, respectively

We estimate 2016E net profit at Bt4.0bn (+106.7% YoY) and 2017E net profit will fall to Bt3.17bn (-21.6% YoY). The high growth in 2016E is mainly from huge asset sales to REIT aimed at acquisition debt repayment. The declining net profit in 2017E is mainly from the size of asset sales returning to the normal level in line with the company’s investment policy. **Our major forecast assumptions are as follows:**

Industrial land sales will decline YoY in 2016E and recover in 2017E

We expect 2016E industrial land sales revenue to decrease 38.3% YoY to Bt2.43bn as we assume 2016E land transfers of 700 rai, which will fall from heavy transfers of 1,191 rai in 2015 that left the backlog at only around 100 rai in 1Q16. We expect 2017E industrial land sales revenue to improve by 8.0% YoY as we assume land transfers at 720 rai, which will be derived from presales from 2016-17E. Note that WHA targets its 2016-17E land presales at 1,000 rai, in line with our assumptions.

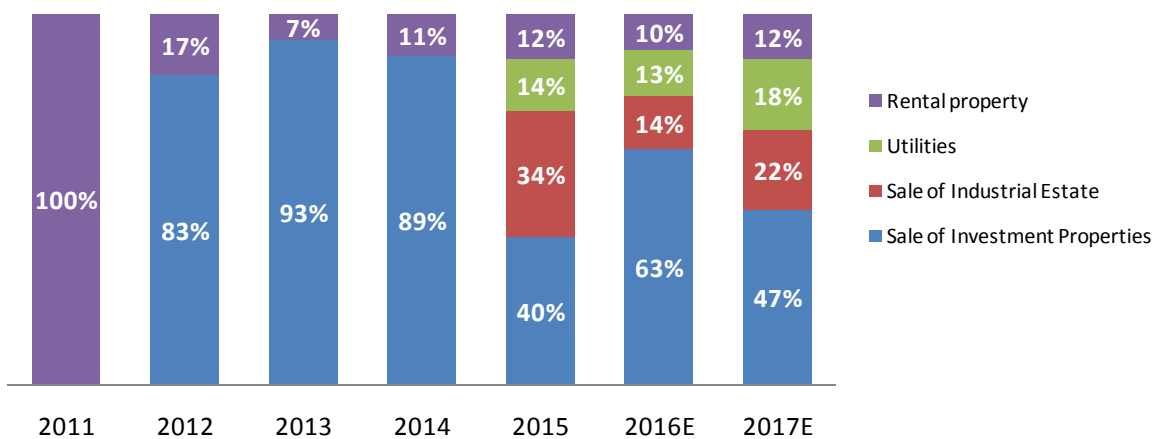
Property divestment is the main source of revenue in 2016E

We expect income from sales of investment property to be around Bt10.7bn in 2016E, which will be derived from i) selling WHA’s logistics centers with net leasable area 161,000 sqm. to WHART at an expected sales value of around Bt4.2bn and ii) selling HEMRAJ’s ready-built factories and ready-built warehouses with an area of 250,000 sqm. to HREIT with net proceeds of around Bt6.5bn. Income from sales of investment property will decline to around Bt5.8bn as we expect WHA’s asset sales to return to the normal level after reducing acquisition debt to a comfortable level as planned.

Rental and utility income relies on factory operations

We expect rental and utility income to grow by 10.6% YoY in 2016E on full-year income recognition from HEMRAJ’s operation. We expect 2017E rental and utility income to decline 2% YoY on the reduction of units of factory operations after the company sold some rental ready-built factories and ready-built warehouses to REIT in late 2016E.

Figure 11: WHA’s Revenue Structure



Source: WHA, KT ZMICO Research

Share of profit from associates to be maintained at around Bt1.5bn per year

We are not including the power business IPO plan in our assumptions. Hence, we forecast share of profit from associates, mainly the power business, to be around Bt1.5bn per year for 2016-17E. The major share of income will come from Gheco-one (Independent power plant: IPP in which HEMRAJ holds a 35% stake) and other small power plant (SPP) business.

Debt repayment plan is underway

WHA plans to repay the remaining acquisition loan of Bt17.2bn by i) selling Hemaraj’s ready-built factories and ready-built warehouses amounting to Bt6.5bn to HREIT in 4Q16 ii) selling WHA’s warehouses with total leasable area of 161,000 sqm. to WHART in 4Q16. WHA expects net proceeds from the asset divestment of around Bt4.19bn and iii) launching an Initial Public Offering of Hemaraj’s utilities & power business on the SET in 4Q16.

After repaying debt by asset monetization, the rest of the acquisition loan will be pushed down to the utility and power company as a long-term loan with a lower interest rate.

Figure 12: Actual repayments of the acquisition loan

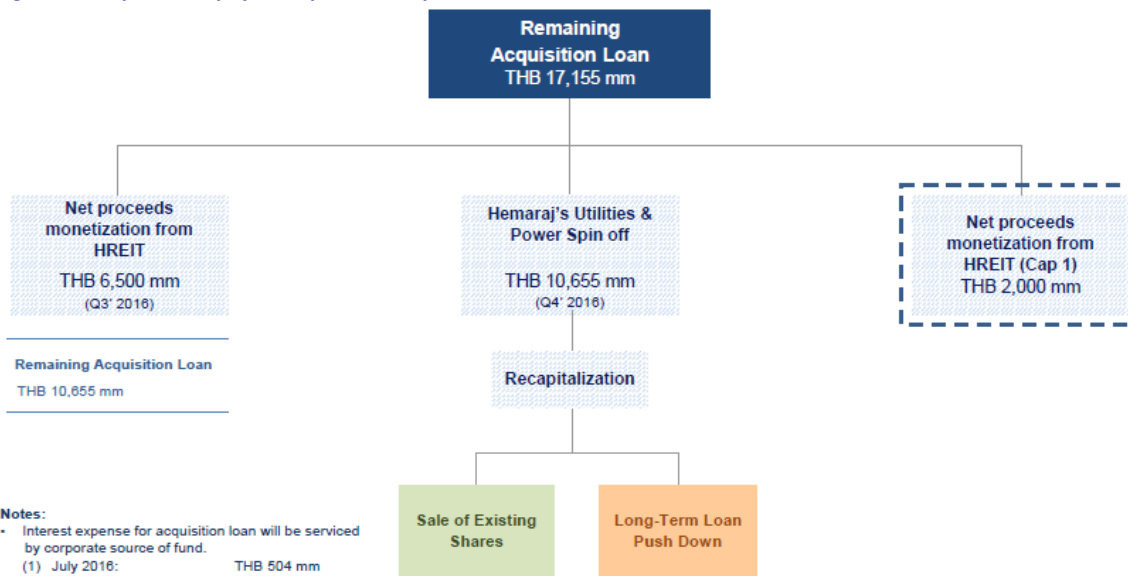
Completed	Net Proceeds (Btmn)	Entity	Net Repayment Amount (Btmn)	Due date
1. Net proceeds for repayment from Hemaraj non-core assets	3,003	Hemaraj	2,789	Jul-15
2. Dividend from Hemaraj’s normal operation (2H14 – 1Q15)	1,296	Hemaraj	1,204	Jul-15
3. Net proceeds for repayment from WHA office buildings	2,075 ¹	WHA	2,075	Nov-15
4. Net proceeds for repayment from WHA-W2 exercise	3,181	WHA	3,181	Dec-15
5. Net proceeds for repayment from WHA’s WH #1	3,729 ²	WHA	1,206	Dec-15
6. Additional Loan for tender offer to delist Hemaraj	(2,419)	WHA	(2,419)	Mar-16
7. Internal cash (on-lend transaction)	1,000	Hemaraj	1,000	Mar-16
8. Refinanced by Other Financial Instruments	7,050	WHA	7,050	Apr-16
Total Interest Payment (Mar-15 – Feb-16)			(1,350)	
Net Loan Repayment			14,736	
The Remaining Acquisition Loan			17,155	

1/ This amount is net off the setup costs, transaction costs, and reinvestment. Bt1.2bn is used to repay the acquisition loan and Bt2.4bn is used to repay the normal operating loan.

2/ WHA issued 2 tranches of bonds worth Bt3.5bn on 29 April 2016.

Source: WHA, KT ZMICO Research

Figure 13: Expected repayment plan for acquisition loan



Notes:

- Interest expense for acquisition loan will be serviced by corporate source of fund.

(1) July 2016: THB 504 mm

(2) December 2016: THB 193 mm

Remarks:

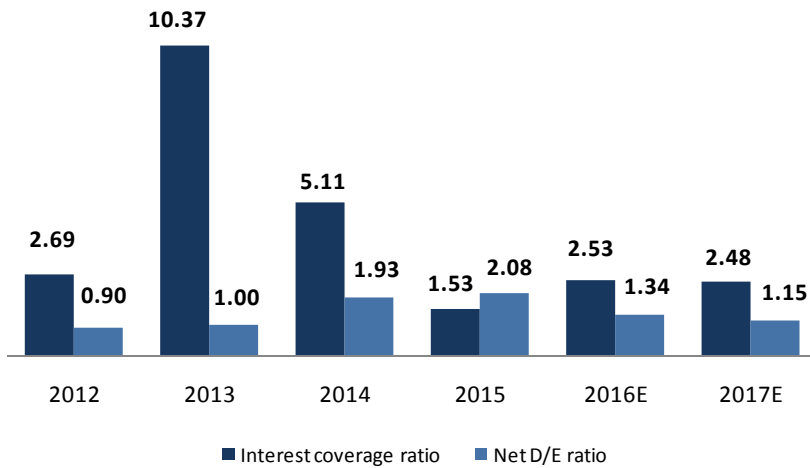
* Excluding the proceeds from WHA’s asset monetization

Source: WHA, KT ZMICO Research

Interest expenses will decrease in 2017E after debt repayment program

We expect 2016E interest expenses to be at Bt2.2bn as the debt repayment plan will occur in late 2016E. We assume that 2017E interest expenses will be reduced to around Bt1.5bn after paying the acquisition debt from asset sales in 2016E. Moreover, we expect the 2016-17E net D/E ratio to fall to 1.34X and 1.15X, respectively, which will improve from 2.08X in 2015, enabling the company to make more investments.

Figure 14: WHA's Net D/E and Interest Coverage Ratios (X)



Source: WHA, KT ZMICO Research

Upside risk/Downside risk

Potential growth from the Eastern Economic Corridor Development plan

Thailand's cabinet has approved the Eastern Economic Corridor Development plan to develop logistics connections between three eastern provinces, which are Chonburi, Rayong, and Chachoengsao, as the country's newest economic zone. The development plan will integrate all necessary systems in the three provinces and improve infrastructure including land, railway tracks, water and aviation transport to attract investors. Details of the project will be finalized within the next three months by Deputy Prime Minister Somkid Jatusripitak, who will be working with relevant ministries.

As of end-15, WHA held property covering prime strategic locations such as Bangna-Trad Road, Ladkrabang, Laemchabang, Panthong, Kabinburi, Rama II, as well as upcountry locations such as Ayuthaya, Khon Kaen, Surathani and Lamphun; meanwhile, Hemaraj has a land bank of 8,000 rai located in Chonburi and Rayong (Map Ta Phut and Eastern Seaboard area) that will benefit from the Eastern Economic Corridor Development plan in the future.

Risk from delay of debt repayment

WHA plans to repay the remaining acquisition of Hemaraj's debt via asset divestment and the successful spinoff of the utility business. If the plans are delayed, the company's D/E and interest expenses may not decline as the company expects.

Risk from fluctuations of revenue from asset sales

The main revenue of WHA is from sales of investment properties. If in any given year, WHA does not sell its assets to the Fund or REIT, the total revenue and profit of the company may fluctuate.

Figure 15: Major assumptions

	2013	2014	2015	2016E	2017E
Revenue					
Sales of Industrial Estate	0	0	3,930	2,426	2,620
Sales of Investment Properties	6,585	4,337	4,536	10,690	5,820
Utilities	0	0	1,561	2,115	2,327
Rental property-warehouse DC and Ready built	500	551	1,409	1,615	1,521
Total	6,585	4,337	10,027	15,231	10,766
Growth (%)					
Sales of Industrial Estate	NA.	NA.	NA.	-38.3	8.0
Sales of Investment Properties	264.0	-34.1	4.6	135.7	-45.6
Utilities	NA.	NA.	NA.	35.5	10.0
Rental property-warehouse DC and Ready built	39.1	10.1	155.7	14.6	-5.8
Total	226.7	-31.0	134.0	47.3	-27.1
GPM (%)					
Sales of Industrial Estate	0.0	0.0	32.4	33.0	34.0
Sales of Investment Properties	24.6	29.7	24.6	35.3	33.1
Utilities	0.0	0.0	41.3	31.0	31.0
Rental property-warehouse DC and Ready built	64.2	60.3	68.8	69.9	67.5
Overall GPM	27.4	33.1	35.0	37.7	37.1
NPM	20.7	20.0	17.1	24.0	25.8

Source: WHA, KT ZMICO Research

FINANCIAL TABLE

	2013	2014	2015	2016E	2017E
PROFIT & LOSS (Btmn)					
Revenues	7,085	4,888	11,437	16,846	12,288
Cost of sales and service	(5,141)	(3,269)	(7,431)	(10,487)	(7,725)
Gross profit	1,945	1,619	4,006	6,359	4,563
SG&A	(132)	(283)	(1,133)	(1,101)	(1,146)
EBITDA	2,075	2,280	4,143	6,181	4,292
Depreciation & amortization	179	775	642	581	522
EBIT	1,896	1,505	3,500	5,600	3,771
Interest expense	(183)	(295)	(2,284)	(2,218)	(1,520)
Other income / exp.	84	170	627	342	354
EBT	1,712	1,203	2,254	4,896	3,762
Corporate tax	(249)	(224)	(87)	(645)	(429)
Forex gain (loss)	0	0	0	0	0
Extra Items	0	0	0	0	0
Gain (loss) from affiliates	(1)	(8)	1,038	1,514	1,512
Net profit	1,463	979	1,954	4,039	3,166
Reported EPS	0.16	0.10	0.14	0.28	0.22
Fully diluted EPS	0.16	0.10	0.14	0.28	0.22
Core net profit	1,463	979	1,954	4,039	3,166
Core EPS	0.16	0.10	0.14	0.28	0.22
Dividend (Bt)	0.13	0.00	0.00	0.10	0.08
BALANCE SHEET (Btmn)					
Cash and equivalents	983	2,186	4,070	2,896	115
Accounts receivable	48	104	346	462	673
Inventories	0	0	0	0	0
PP&E-net	6,211	8,025	18,481	11,449	8,849
Other assets	2,300	3,392	21,817	21,346	21,294
Total assets	11,049	15,952	79,095	73,120	68,907
ST debt & current portion	290	655	16,760	17,635	8,331
Long-term debt	4,197	8,366	31,005	19,703	23,638
Total liabilities	6,895	11,472	57,436	47,209	41,077
Paid-up shares	918	964	1,432	1,432	1,432
Shareholder equity	4,154	4,480	21,659	25,911	27,830
Total liab. & shareholder equity	11,049	15,952	79,095	73,120	68,907
CASH FLOW (Btmn)					
Net income	1,463	979	1,954	4,039	3,166
Forex and other extraordinary adjustments	(1,633)	(1,266)	(2,719)	(3,774)	(1,924)
Depreciation & amortization	137	179	515	394	332
Change in working capital	136	(73)	65	(510)	(225)
Cash flow from operations	104	(181)	(186)	148	1,350
Capex (Invest)/Divest	(642)	(3,270)	5,084	7,436	3,365
Others	(1,093)	(1,607)	(37,367)	368	(673)
Cash flow from investing	(1,735)	(4,877)	(32,284)	7,804	2,692
Debt financing (repayment)	986	5,309	20,998	(11,295)	3,935
Equity financing	0	0	12,114	0	(0)
Dividend payment	(96)	(652)	(341)	0	(1,414)
Others	(5)	(7)	(6)	0	0
Cash flow from financing	884	4,651	32,765	(11,295)	2,521
Net change in cash	(747)	(408)	296	(3,343)	6,563
Free cash flow	(7,232)	(6,767)	(2,407)	(5,184)	(3,095)
FCF per share (Bt)	(0.79)	(0.70)	(0.17)	(0.36)	(0.22)
PROFITABILITY					
Revenue growth (%)	226.7	(31.0)	134.0	47.3	(27.1)
EBITDA growth (%)	284.6	9.8	81.7	49.2	(30.6)
EPS growth (%)	282.8	(36.3)	34.4	106.7	(21.6)
Gross margin (%)	27.4	33.1	35.0	37.7	37.1
EBITDA margin (%)	29.3	46.6	36.2	36.7	34.9
Operating margin (%)	26.8	30.8	30.6	33.2	30.7
Net margin (%)	20.7	20.0	17.1	24.0	25.8
Core profit margin (%)	20.7	20.0	17.1	24.0	25.8
Effective tax rate (%)	14.5	18.6	3.9	13.2	11.4

Note:






KT ZMICO has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of KT ZMICO Securities is also a board member of BCP, BTC, CI, CPI, KBS, MAJOR, MK, PACE, PSL, SVH, VNG, ZMICO, SAWAD, TFG.

A management member of KT ZMICO Securities is also a board member of BTC and NFC.

KT ZMICO is a financial advisor for U, LOXLEY, ZMICO, MAKRO, CPALL, SAFARI, PACE, PLE, TPOLY.

KT ZMICO is a co-underwriter of ALT.

Corporate Governance Report (CGR)		Source: Sec, Thai Institute of Directors Association (IOD)	
 Excellent (scores: 90 - 100)	 Satisfactory (scores: 60 – 69)		
 Very Good (scores: 80 – 89)	 Pass (scores: 50 – 59)		
 Good (scores: 70 – 79)	No Logo	N/A (scores: below 50)	

Anti-corruption Progress Indicator
Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed)** : Organization’s statement or board’s resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared)** : Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established)** : Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified)** : Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended)** : Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

DISCLAIMER

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.

KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS

STOCK RECOMMENDATIONS

BUY: Expecting positive total returns of 15% or more over the next 12 months

OUTPERFORM: Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts

UNDERPERFORM: Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts

SELL: Expecting negative total returns of 10% or more over the next 12 months

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% 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 by 10% over the next 12 months.

KT•ZMICO Securities Company Limited

8th, 15th-17th, 19th, 21st Floor, Liberty Square Bldg., 287 Silom Road, Bangrak, Bangkok 10500

Telephone: (66-2) 695-5000 Fax. (66-2) 631-1709

Phaholyothin Branch

3rd Floor, Shinnawatra Tower II,
1291/1 Phaholyothin Road,
Phayathai, Bangkok 10400
Telephone: (66-2) 686-1500
Fax. (66-2) 686-1666

Nakhon Pathom Branch

1156 Petchakasem Road,
Sanamchan Subdistrict,
Amphoe Meuang ,
Nakhon Pathom Province 73000
Telephone: (034) 271300
Fax: (034) 271300 #100

Chachoengsao Branch

108/34-36 Mahajakkrpad Road,
T.Namuang, A.Muang,
Chachoengsao 24000
Telephone: (038) 813-088
Fax. (038) 813-099

Khon Kaen Branch

5th Floor, Charoen Thani Princess Hotel,
260 Srichan Road, T. Naimuang,
A. Muang, Khon Kaen 40000
Telephone: (043) 389-171-193
Fax. (043) 389-209

Central World Branch

999/9 The Offices at Central World,
16th Fl., Rama 1 Rd, Pathumwan,
Bangkok 10330
Telephone: (66-2) 673-5000,
(66-2) 264-5888 Fax. (66-2) 264-5899

Pak Chong Branch

173 175, Mittapap Road,
Nong Sarai, Pak Chong,
Nakhon Ratchasima 30130
Tel. (044) 279-511
Fax. (044) 279-574

Nakhon Ratchasima Branch

624/9 Changphuek Road, .
Naimaung, A.Maung,
Nakhon Ratchasima 30000
Telephone: (044) 247222
Fax: (044) 247171

Ploenchit Branch

8th Floor, Ton Son Tower,
900 Ploenchit Road, Lumpini,
Pathumwan, Bangkok 10330
Telephone: (66-2) 626-6000
Fax. (66-2) 626-6111

Viphavadee Branch

G Floor, Lao Peng Nguan 1 Bldg.,
333 Soi Cheyuand, Viphavadee-Rangsit Road,
Ladyao, Jatujak, Bangkok 10900
Telephone: (66-2) 618-8500
Fax. (66-2) 618-8569

Chonburi Branch

4th Floor, Forum Plaza Bldg.,
870/52 Sukhumvit Road, T. Bangplasoy,
A. Muang, Choburi 20000
Telephone: (038) 287-635
Fax. (038) 287-637

Hat Yai Branch

200/301 Juldis Hatyai Plaza Floor 3,
Niphat-Uthit 3 Rd,
Hatyai Songkhla 90110
Telephone: (074) 355-530-3
Fax: (074) 355-534

Chiang Mai Branch

422/49 Changklan Road, Changklan
Subdistrict, Amphoe Meuang,
Chiang Mai 50100
Telephone: (053) 270-072
Fax: (053) 272-618

Cyber Branch @ North Nana

Krung Thai Bank PCL, 2 Floor,
North Nana Branch
35 Sukhumvit Rd.,Klong Toey Nua
Subdistrict , Wattana District,
Bangkok 10110
Telephone: 083-490-2871

Sindhorn Branch

2nd Floor, Sindhorn Tower 1, 130-132
Wireless Road, Lumpini,
Pathumwan, Bangkok 10330
Telephone: (66-2) 627-3550
Fax. (66-2) 627-3582, 627-3600

Phitsanulok Branch

Krung Thai Bank, Singhawat Branch
114 Singhawat Road,
Muang, Phitsanulok 65000
Telephone: 083-490-2873

Pattaya Branch

382/6-8 Moo 9, T. NongPrue,
A. Banglamung, Choburi 20260
Telephone: (038) 362-420-9
Fax. (038) 362-430

Sriworajak Building Branch

1st – 2nd Floor, Sriworajak Building, 222
Luang Road, Pomprab,
Bangkok 10100
Telephone: (02) 689-3100
Fax. (02) 689-3199

Phuket Branch

22/61-63, Luang Por Wat Chalong Road,
Talat Yai, Mueang Phuket,
Phuket 83000
Tel. (076) 222-811,(076) 222-683
Fax. (076) 222-861

Bangkhae Branch

6th Floor The Mall Group Building Bangkhae
275 Moo 1 Petchkasem Road, North Bangkhae,
Bangkhae, Bangkok 10160
Tel. (66-2) 454-9979
Fax. (66-2) 454-9970