

Earnings Review

Outperform (17E TP Bt3.50)

Close Bt3.20

Beat forecast/Below forecast/In line

Property Development

Aug 16, 2016

2Q16 net profit increased YoY and QoQ

Price Performance (%)



Source: SET Smart

	FY16	FY17
Consensus EPS (Bt)	0.264	0.301
KT ZMICO vs. consensus	6.1%	-26.9%

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)	46.00/1,324.00
Foreign limit / actual (%)	49.00/21.62
52 week High / Low (Bt)	3.80/2.56
Avg. daily T/O (shares 000)	47,890.00
NVDR (%)	2.46
Estimated free float (%)	32.92
Beta	0.94
URL	www.wha.co.th
CGR	



Anti-corruption Level 2 (Declared)

Worarat Powpaka

Analyst, no. 17992

woraratp@ktzmico.com

66 (0) 2624-6248

Maintain Outperform at the 2017E TP of Bt3.5

We recommend Outperform at the 2017E TP of Bt3.5, with PER of 16X, 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.

2Q16 net profit increased YoY and QoQ

2Q16 net profit was Bt334mn (+48.0% YoY, +178.9% QoQ). The increase YoY was mainly due to lower interest expenses and SG&A along with higher investment income; at the same time, the QoQ rise was mainly from higher revenue and investment income and lower SG&A. 2Q16 revenue from sales of properties, rental and service income was Bt1.37bn (+0.1% YoY, +17.0% QoQ). The average GPM was 43.5%, lower than 52.3% in 2Q15 but better than 42.1% in 1Q16. WHA also realized shared profit of associates and joint ventures of the power business of Bt491mm (+22.1% YoY, +9.3% QoQ). 2Q16 SG&A-to-revenue was 19.1%, which was lower than 23.8% in 2Q15 and 23.9% in 1Q16 due to the higher revenue base of 2Q16 compared to previous quarters. Interest expenses were Bt617mn (-15.5% YoY, +1.0% QoQ), which decreased YoY after WHA reduced the acquisition loan via divestment of the assets of Hemaraj and WHA.

Maintain 2016E earnings

While 1H16 net profit was only 11% of our 2016E net profit at Bt4.0bn (+106.7% YoY), we maintain the forecast as WHA will have huge asset sales derived from i) selling WHA's logistics centers with net leasable area of 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 Bt6bn in 4Q16E.

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)	20.1	31.5	23.5	11.3	14.5
Normalized PER (x)	20.1	31.5	23.5	11.3	14.5
EV/EBITDA (x)	15.8	16.5	21.6	13.0	18.1
PBV (x)	7.1	6.9	2.1	1.8	1.6
Dividend yield (%)	4.1	0.0	0.0	3.1	2.4
ROE (%)	41.6	22.7	14.9	17.0	11.8
Net gearing (%)	84.3	152.6	201.7	132.9	114.5

Figure 1: Quarterly earnings review

Profit and Loss (Btmn)										
FY Ended 31 Dec	2Q15	1Q16	2Q16	% YoY	% QoQ	1H16	% YoY	2016E	% YoY	YTD (% 2016E)
Rental and service income	994	809	909	(8.6)	12.3	1,718	36.1	3,730	25.6	46.0
Sales of real estate	374	362	461	23.0	N.M.	822	41.5	2,426	(38.3)	33.9
Sales of investment properties	0	0	0	N.M.	N.M.	0	60.4	10,690	135.7	0.0
Total revenue	1,369	1,170	1,369	0.1	17.0	2,540	41.5	16,846	47.3	15.1
Gross profit	716	492	596	(16.8)	20.9	1,088	22.3	6,359	58.7	17.1
EBITDA	859	471	614	(28.5)	30.3	1,085	(3.0)	6,181	49.2	17.6
Interest expense	(730)	(611)	(617)	(15.5)	1.0	(1,227)	31.3	(2,218)	(2.9)	55.3
Other income	253	104	123	(51.1)	19.2	227	(23.9)	342	(45.5)	66.5
Income tax	(14)	8	17	(222.3)	116.1	25	(230.7)	(645)	640.7	-3.9
Gn (Ls) from affiliates	402	450	491	22.1	9.3	941	96.9	1,514	45.9	62.1
Net profit (loss)	226	120	334	48.0	178.9	454	105.1	4,039	106.7	11.3
Core net profit (loss)	226	120	334	48.0	178.9	454	104.4	4,039	106.7	11.3
Reported EPS (THB)	0.02	0.01	0.02	2.0	178.9	0.03	13.7	0.28	106.7	11.3
Core EPS (THB)	0.02	0.01	0.02	35.8	178.9	0.03	87.6	0.28	106.7	11.3
Gross margin - overall (%)	52.3	42.1	43.5			42.8		37.7		
EBITDA margin (%)	62.7	40.3	44.8			42.7		36.7		
Net margin (%)	16.5	10.2	24.4			17.9		24.0		
Current ratio (x)	2.1	0.9	1.0			1.0		1.1		
Interest coverage (x)	0.9	0.5	0.7			0.6		2.5		
Debt / equity (x)	3.9	3.0	3.0			3.0		1.8		
BVPS (Bt)	1.05	1.32	1.34			1.34		1.81		
ROE (%)	6.8	10.1	11.1			11.1		17.0		

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, M-CHAI, CI.

KT ZMICO is a co-underwriter of ALT, EKH, RJH.

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