

Company Note

Thailand

ADD (no change)

Consensus ratings*: Buy 6 Hold 2 Sell 0

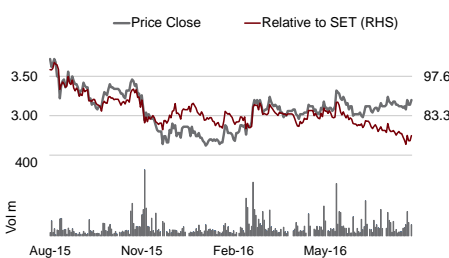
Current price: THB3.20
 Target price: THB3.40
 Previous target: THB3.40
 Up/downside: 6.3%
 CIMB / Consensus: -6.8%

Reuters: WHA.BK
 Bloomberg: WHA TB
 Market cap: US\$1,324m
 THB45,832m
 Average daily turnover: US\$4.84m
 THB170.6m
 Current shares o/s: 14,322m
 Free float: 24.1%

* Source: Bloomberg

Key changes in this note

No change.

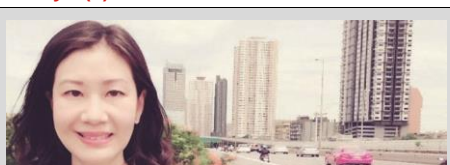


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.6	6	-14.4
Relative (%)	-1.2	-5.1	-24

Major shareholders	% held
WHA Holding	25.1
Ms. Jareeporn Jarukornsakul	12.9
Mr. Somyos Anantaprayoon	12.1

Analyst(s)



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WHA Corporation

Benefiting from balance sheet deleveraging

- 2Q16 net profit increased 48% yoy, driven by lower interest expenses.
- Balance sheet to continue deleveraging from sizable asset sale, and utilities & power spin-off.
- Plans to form a JV with a local Vietnamese partner to develop an industrial park in Nghe An province, north of Vietnam.
- Another revenue driver, data centres, should start contributing in 2017.
- Retain Add in view of diminishing balance sheet risk and promising growth outlook.

2Q16 net profit boosted by lower interest expenses

WHA's 2Q16 net profit rose 178.9% qoq and 48% yoy to THB334.5m (US\$9.7m) owing to 1) drop in interest expenses from loan repayment, 2) refinancing at lower costs of fund, and 3) higher share of profit from associates. 1H16 net profit represented 10.3% of our full-year forecast. We maintain our earnings forecasts as we expect gains to be booked in 4Q16 from 1) sale of factories to HREIT, 2) sale of warehouses to WHART, and 3) sale of warehouses to a JV company, of which WHA hold 51% and Daiwa, 49%.

Deleveraging through asset sales and utilities & power spin-off

The sale of subsidiary Hemaraj's assets with net leasable area of 261k sq m to Hemaraj Leasehold Real Estate Investment Trust (HREIT) is scheduled for Oct while the spin-off and IPO of its utilities and power unit is likely to take place by 1Q17. WHA estimates combined net proceeds of c.THB11bn to repay the loan it took to acquire Hemaraj. It expects its balance sheet to continue deleveraging, with D/E ratio falling from 2.21x in 4Q15 to 1.32x in 4Q16 if the spin-off takes place in Dec 16 or 1.89x if it occurs in 2017.

Expanding into Vietnam

WHA plans to form a joint venture with a local partner, a Vietnamese's quasi-government agency, to develop an industrial park in Nghe An province, 288km south of Hanoi. WHA will hold 80% of the JV and the local partner, the rest. The project's total area is approx. 10,000 rai, with first phase involving 3,000 rai. The Nghe An project is in the process of applying for an investment licence. WHA will disclose the identity of the JV partner and project details in 4Q16 after the project receives an investment licence.

Another revenue driver from data centres

WHA has established three data centres, in Vibhavadi-Rangsit (100 racks), Bangna-Trad (over 800 racks) and Hemaraj's Eastern Seaboard industrial estate in Rayong (over 850 racks) with initial investment of THB1.3bn. The development of data centres will utilise WHA's landbank and enhance its rental income. We estimate these data centres to contribute revenue of THB288m and yield gross margin of 40-50% in 2017.

Retain Add call given the diminishing balance sheet risk

We maintain our Add call and target price of THB3.40, based on 11.5x FY17F P/E (1.25 s.d. below its historical average forward P/E). We believe its current share price has already factored in concerns about its high leverage after the Hemaraj acquisition. Asset sale and utilities and power spin-off are key to WHA's deleveraging. Key potential catalyst is good progress on its investment in Vietnam and Indonesia. Risks to our Add call are delays in asset sales.

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)	32.15	20.56	10.39	10.87	10.39
DPS (THB)	0.08	0.02	0.00	0.06	0.12
Dividend Yield	2.39%	0.76%	0.00%	1.84%	3.76%
EV/EBITDA (x)	26.30	20.64	14.23	16.08	15.49
P/FCFE (x)	77.0	NA	NA	NA	475.5
Net Gearing	187%	192%	157%	132%	121%
P/BV (x)	7.02	2.15	2.05	1.78	1.61
ROE	22.7%	16.9%	21.5%	17.5%	16.3%
CIMB/consensus EPS (x)			1.17	0.98	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Benefiting from balance sheet deleverage

2Q16 results review

WHA's 2Q16 net profit increased 178.9% qoq and 48% yoy to THB334.5m owing to a drop in interest expenses and higher share of profit from associates. Rental, service and utilities income fell 8.6% yoy to THB908.7m in 2Q16 mainly due to lower rental income from utilities. However, sale of properties increased 23.3% yoy to THB461m as WHA transferred the warehouse worth THB355m under its built-to-own concept to its customers while revenue from industrial land sales plunged 70.4% yoy to THB106m given the low level of backlog. Share of profit from power business rose by 24.9% to THB482m in 2Q16.

Gross margin from rental property widened to 67% in 2Q16 from 61% in 2Q15 due to lack of depreciation for warehouses that WHA plans to inject into WHART. Gross margin from sale of properties dipped to 25% in 2Q16 vs. 30% in 2Q15 because the transfer of the warehouse under the built-to-own concept yielded low gross margin of 25%. Meanwhile, interest expenses decreased to THB616.9m in 2Q16 from THB730.1m in 2Q15 due to debt repayment and refinancing of loans at lower rates.

1H16 net profit represented only 10.3% of our full-year forecast. We maintain our earnings forecasts as we expect gains to be booked in 4Q16 from 1) sale of factories to HREIT, 2) sale of warehouses to WHART, and 3) sale of warehouses to a JV company, of which WHAs owns 51% and Daiwa, 49%.

Figure 1: Results comparison

FYE Dec (THB m)	2QFY16	2QFY15	yoy % chg	1QFY16	qoq % chg	1HFY16 Cum	1HFY15 Cum	yoy % chg	Prev. FY16F
Revenue	1,369.3	1,368.5	0.1	1,170.3	17.0	2,539.6	1,795.1	41.5	17,415.0
Operating costs	(882.3)	(855.5)	3.1	(806.3)	9.4	(1,688.7)	(1,119.3)	50.9	(11,960.0)
EBITDA	486.9	513.0	(5.1)	364.0	33.8	851.0	675.8	25.9	5,455.0
EBITDA margin (%)	35.6	37.5	(1.9)	31.1	4.46	33.5	37.6	(4.1)	31.3
Depn & amort.	(153.1)	(123.1)	24.4	(151.7)	0.9	(304.8)	(194.1)	57.1	(829.9)
EBIT	333.8	389.9	(14.4)	212.3	57.2	546.1	481.7	13.4	4,625.1
Interest expense	(616.9)	(730.1)	(15.5)	(610.5)	1.0	(1,227.4)	(934.8)	31.3	(2,120.2)
Interest & invt inc	123.5	252.7	(51.1)	103.6	19.2	227.1	298.4	(23.9)	724.4
Associates' contrib	491.3	402.2	22.1	449.5	9.3	940.8	477.8	96.9	1,507.0
Exceptionals	-	-	n.m.	-	n.m.	-	-	n.m.	-
Pretax profit	(159.6)	(87.4)	82.6	(294.6)	45.8	(454.2)	(154.7)	193.6	3,229.2
Tax	17.3	(14.2)	222.3	8.0	116.1	25.4	(19.4)	(230.7)	(258.3)
Tax rate (%)	10.9	(16.2)	27.1	2.7	8.1	5.6	(12.5)	18.1	8.0
Minority interests	(14.6)	(74.6)	(80.4)	(43.0)	(66.0)	(57.6)	(82.2)	(30.0)	(65.8)
Net profit	334.5	226.1	48.0	119.9	178.9	454.4	221.5	105.1	4,412.0
Core net profit	334.5	226.1	48.0	119.9	178.9	454.4	221.5	105.1	4,412.0
EPS (THB)	0.023	0.017	35.8	0.008	178.9	0.032	0.019	69.7	0.308
Core EPS (THB)	0.023	0.017	35.8	0.008	178.9	0.032	0.019	69.7	0.308

SOURCES: CIMB, COMPANY REPORTS

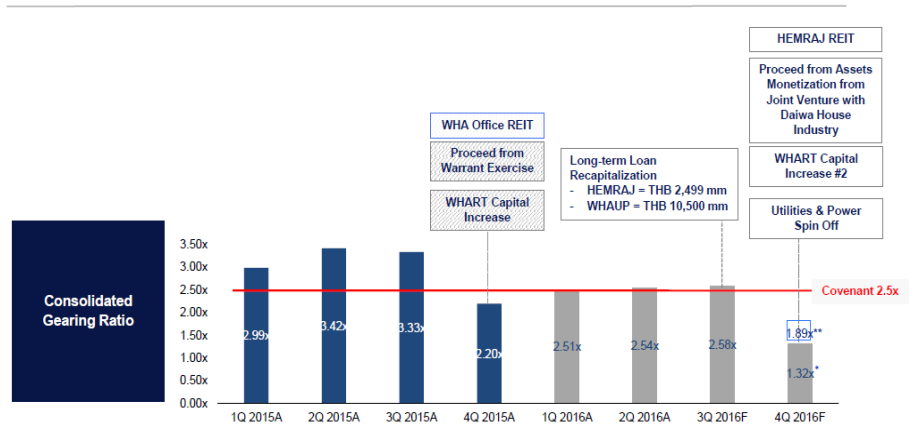
Figure 2: Operating statistics

(THBm)	2Q16	2Q15	% yoy	1Q16	% qoq
Rental, utilities and service income					
- Rental income from rental property	409	416	-1.7%	382	7.1%
- Rental income from utilities	500	578	-13.5%	427	17.1%
Total rental, utilities and service incor	909	994	-8.6%	809	12.4%
Sale of properties business	461	374	23.3%	362	27.3%
Other income	133	269	-50.6%	113	17.7%
Power business	482	386	24.9%	440	9.5%
Gross margin from					
Rental property	67%	61%	6%	69%	-2%
Utilities	41%	54%	-13%	31%	10%
Sales of properties	25%	30%	-5%	27%	-2%

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Projected gearing ratio

Projected Gearing Ratio

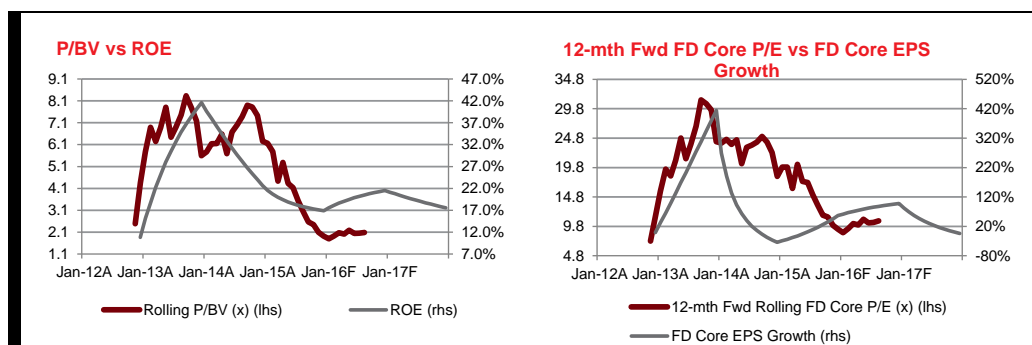


Remarks:

- * Impact from gain from Utilities & Power spin-off under Common Control will increase the Shareholders' Equity directly and not pass through Profit and Loss Statement.
- ** The gearing ratio in case of no Utilities & Power spin-off within Q4 2016

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



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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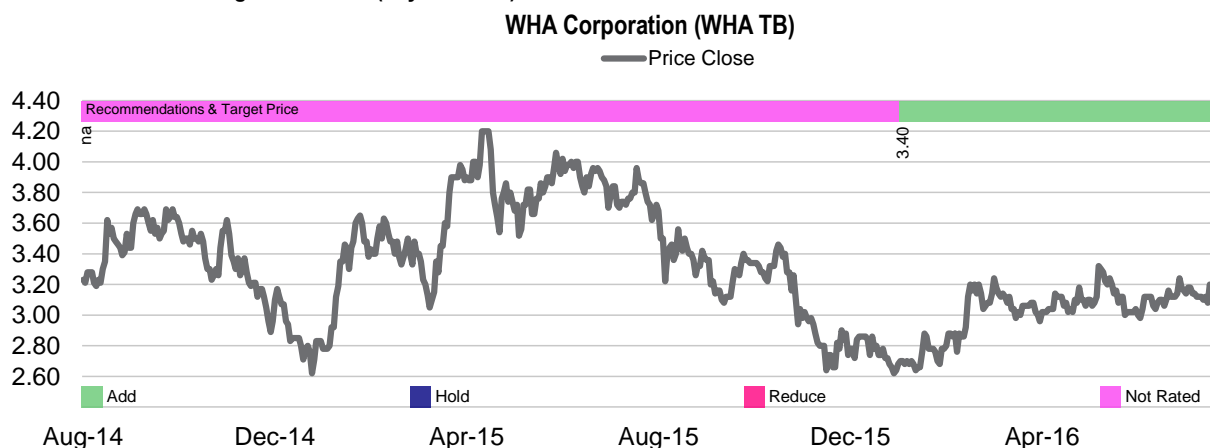
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

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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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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