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4 October 2016

## Thailand Property

Reuters WHA.BK  
Bloomberg WHA TB

### Priced on 3 October 2016

Thai SET @ 1,490.9

**12M hi/lo** Bt3.64/2.62

**12M price target** Bt4.00  
**±% potential** +28%

**Shares in issue** 14,322.3m  
**Free float (est.)** 61.8%

**Market cap** US\$1,290m

**3M average daily volume**  
Bt310.6m (US\$8.9m)

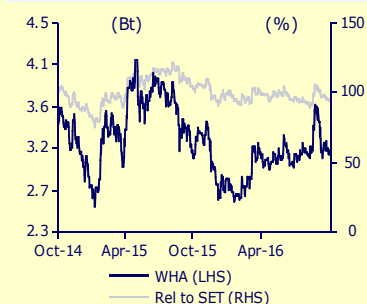
**Foreign s'holding** 16.3%

### Major shareholders

WHA Holding 19.6%  
Ms. Jareeporn Jarukornsakul 11.3%

### Stock performance (%)

	1M	3M	12M
Absolute	(9.8)	0.0	1.3
Relative	(8.0)	(3.1)	(8.5)
Abs (US\$)	(9.9)	1.3	6.5



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## Growth from the core

### Exploring new growth in data center and Vietnam; BUY

Continued asset monetisation, especially on Hemaraj's side, will further drive down WHA's gross gearing to below 2x in 4Q16, well under 2.5x debt covenants. Although we expect 17CL net profit to fall YoY as the bulk of asset sale takes place in 2016, growth will resume in 2017 with new business growth drivers from data center, Vietnam and new industrial clusters. WHA will also start paying dividend on FY16 net profit. We retain BUY on new Bt4.0 TP (Bt3.90 earlier) and 32% expected total return.

### Major debt repayment in 4Q16

WHA will continue to monetise its asset to repay Hemaraj's acquisition loans. It expects total interest bearing debts to come down from Bt50bn in 2Q16 to Bt41bn in 4Q16 after the new HEMRAJ Reits IPO and another asset injection into existing WHA Reits. WHA expects gross gearing to fall to 1.9x in 4Q16, well below the gross gearing covenant of 2.5x. WHA's gearing will decline further in 2017 thanks to the proceeds from WHA Utilities and Power listing.

### Aiming for 1,100 rais land sale in 2016

1H16 industrial land sale was at 351 rais, about the same level as 1H15. Based on recent deals in the pipeline, management still expects FY16 land presale of 1,000-1,100 rais, in line with our FY16 assumption of 1,000 rais.

### Setting foot on new opportunities

WHA has a strategy to leverage its core competency and expand its businesses into new growth areas. WHA's new data center business takes advantage of its strength in built-to-suit warehouse construction and applies it to new users. New industrial clusters promoted by the government namely robotics and aerospace can be new potential buyers of its industrial estate land (WHA still has around 10,000 rais in land bank). Its new Vietnam industrial estates leverage its industry expertise into new geographies. All three businesses will start contributing around Bt1bn to revenue next year.

### Retain BUY

We fine-tune our earnings forecast and incorporate the impact from WHA's new businesses. Our new Bt4.00 target price is slightly up from Bt3.90 earlier. We also note that WHA will start paying out dividend on 2016 net profit (40% payout policy) after its gearing is brought down below its covenant. Despite a drop in 2017 earnings with fewer asset sales, we still see WHA as a good mid-term play on its new businesses and retain BUY.

### Financials

Year to 31 December	14A	15A	16CL	17CL	18CL
Revenue (Btm)	4,888	11,437	16,577	12,562	14,115
Rev forecast change (%)	-	-	2.8	8.1	9.6
Net profit (Btm)	979	1,954	4,432	4,093	4,630
NP forecast change (%)	-	-	(7.3)	(4.4)	0.9
EPS (Bt)	0.7	0.1	0.3	0.3	0.3
CL/consensus (6) (EPS%)	-	-	101	97	108
EPS growth (% YoY)	(33.1)	(80.0)	126.9	(7.6)	13.1
PE (x)	4.6	22.9	10.1	10.9	9.7
Dividend yield (%)	0.0	0.0	4.0	3.7	4.1
ROE (%)	22.7	16.9	21.2	16.9	17.2
Net debt/equity (%)	152.3	186.4	147.2	117.5	115.2

Source: CLSA

Figure 1

**WHA debt repayment scheme**

<b>Debt repayment to date</b>	<b>Net repayment amount (Btbn)</b>	<b>Date</b>
Sale of HEMRAJ's non-core assets	2.8	Jul-15
Dividends from HEMRAJ (2H14-1Q15 - Pre takeover)	1.2	Jul-15
WHA's office injection into WHABT	2.1	Nov-15
WHA-W2 exercise (1.18 bn shares at Bt2.7/sh)	3.2	Dec-15
WHA's warehouse injection into WHART	1.2	Dec-15
Additional loans for HEMRAJ's tender offer (delisting)	(2.4)	Mar-16
Internal cash from HEMRAJ (Related-party loans)	1.0	Mar-16
Refinance by other instruments (B/E, Debentures)	7.6	Jun-16
Interest Payment (Mar 15-Feb16)	(1.4)	
<b>Remaining acquisition loan balance (2Q16)</b>	<b>16.6</b>	
<b>Other interest bearing debts including debt refinancing (2Q16)</b>	<b>32.8</b>	
<b>Total interest bearing debts (2Q16)</b>	<b>49.4</b>	
<b>Debt repayment plan in 4Q16-1Q17</b>		
Debt push down from WHA to WHA Utilities & Power*	8.0	3Q16
HEMRAJ's warehouse injection into HREIT	6.0	4Q16
JV proceeds with Daiwa House Industry - Data Center	1.5	4Q16
Expected proceeds from WHA Utilities & Power listing	5.0	1Q17
<b>Expected total repayment</b>	<b>20.5</b>	

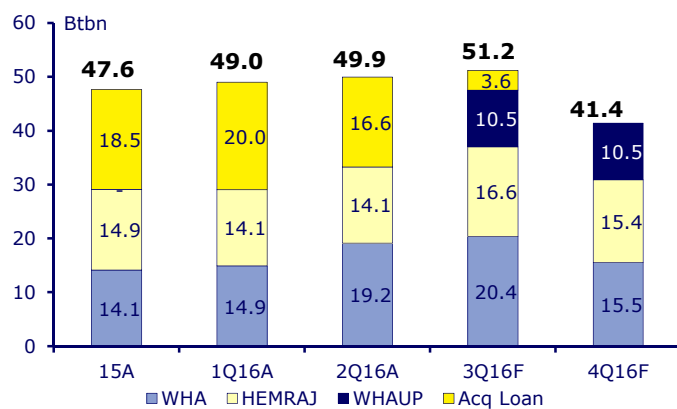
Source: WHA

Note: Total consideration for HEMRAJ acquisition was Bt43.3 bn, Bt11.4 bn of which was funded by equity and Bt31.9 bn by bank loans. Debt repayment plan excludes net proceeds from WHART capital increase of around Bt4.2 bn, which shall be used to repay other debts as well as finance Capex requirements

\* Still included in WHA's consolidated balance sheet

Figure 2

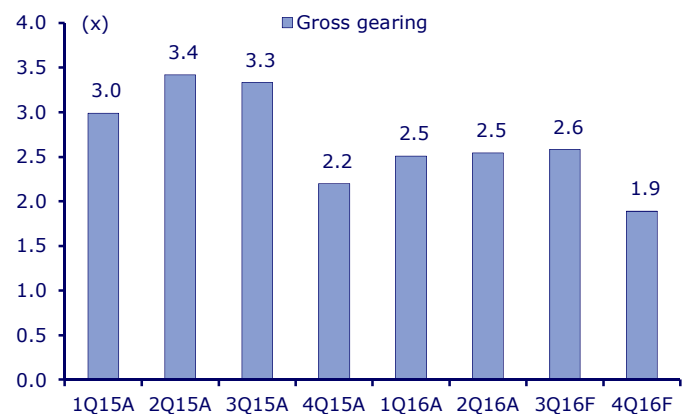
**WHA's interest bearing debts**



Source: WHA

Figure 3

**WHA's gross gearing ratio**

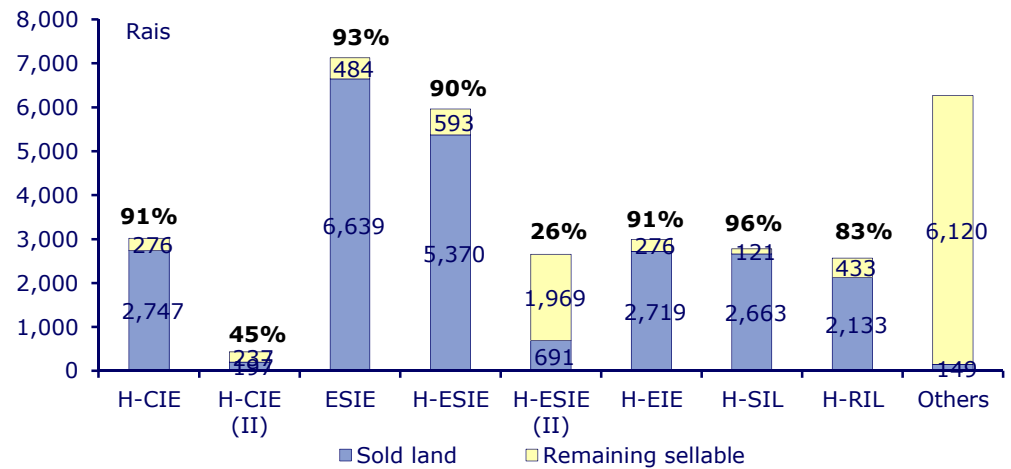


Source: WHA

WHA still has sufficient industrial land inventory to benefit from government's promotion of new industrial clusters

Figure 4

HEMRAJ's industrial land inventory as of FY15

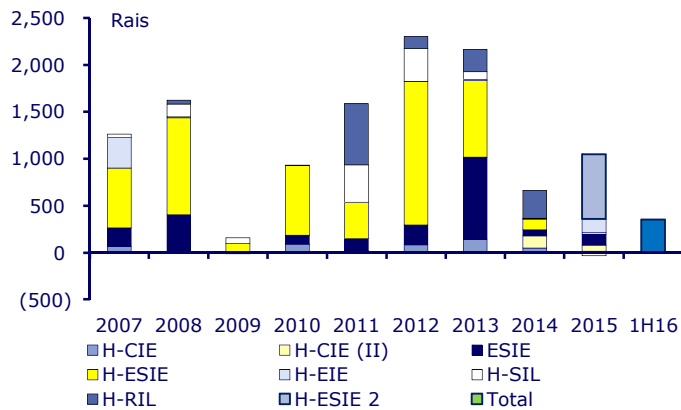


Source: HEMRAJ

Note: HEMRAJ stopped disclosing detailed breakdown of industrial estate land available for sale in 2016. Others included industrial estates under planning and development such as H-ESIE (III) and H-ESIE (IV).

Figure 5

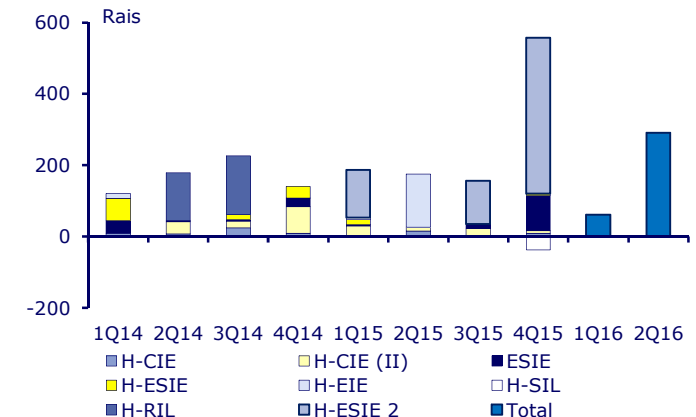
HEMRAJ land presale by year



Source: HEMRAJ

Figure 6

HEMRAJ quarterly land presale



Source: HEMRAJ

Figure 7

Nghe An project

<b>Project</b>	Nghe An project
<b>Location</b>	Nghe An province (288 kms South of Hanoi) Closed proximity to Vinh City Airport and Ngie Tiet Deep Seaport
<b>Type</b>	70-year leasehold (no upfront land lease payment, only relocation costs)
<b>Land size</b>	Tho Loc - 1,160 ha (7,250 rais) Nam Cam - 2,040 ha (12,750 rais)
<b>Timeline</b>	Land sale begins in 2017 Expects 50-100 rais land sale in 2017
<b>Target customers</b>	Garment and food processing industry

Source: CLSA, WHA

Figure 8

**WHA's data center development**

	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>
<b>Location</b>	Vibhavadi-Rangsit (Northern BKK)	Bangna-Trad (Eastern BKK)	Rayong (Eastern Seaboard)
<b>Tier</b>	Upper	Upper/Lower	Upper
<b># Data center</b>	1	2	1
<b>Ownership</b>	100%	100% Upper, JV Lower	100%

Source: WHA

Figure 9

**New clusters promoted by the government – Eastern Economic Corridor (EEC)**

<b>New clusters</b>	<b>Industrial estates</b>
Aviation	H-ESIE 4 (near U-tapao)
Robotics	Across different industrial estates
Biochemical	H-EIE (Maptaphut)

Source: CLSA, WHA

Figure 10

**WHA's target price valuation**

	<b>Value (Btm)</b>	<b>Bt/sh</b>	<b>% of total</b>	<b>Note</b>
Rental business (HEMRAJ + WHA)	29,523	2.1	52%	Cap rate = 6%
Real estate sale (HEMRAJ + WHA)	36,433	2.5	64%	17CL PER = 13.5x
Power business (HEMRAJ)	18,000	1.3	32%	DCF (same as those used in HEMRAJ's valuation) + new SPP at US\$1m/MW
<b>Property funds</b>	<b>6,785</b>	<b>0.5</b>	<b>12%</b>	
HPF	1,087	0.1	2%	Bt10/ unit par value
WHAPF	1,409	0.1	2%	Bt10/ unit par value
WHART (incl new asset injection)	2,787	0.2	5%	Bt10/ unit par value
HRT (incl new asset injection)	1,200	0.1	2%	Bt10/ unit par value
WHABT	303	0.0	1%	Bt10/ unit par value
<b>Total</b>	<b>90,742</b>	<b>6.3</b>	<b>160%</b>	
Deduct: Net debt 2017	(33,884)	(2.4)	(60%)	
<b>Grand total</b>	<b>56,857</b>	<b>4.0</b>	<b>100%</b>	

Source: CLSA

Figure 11

**WHA's major financial assumptions**

Major assumptions (Btm)	14	15	16CL	17CL	18CL
<b>Revenue</b>					
<b>WHA</b>					
<b>1) Rental &amp; Service revenue</b>	<b>551</b>	<b>735</b>	<b>730</b>	<b>873</b>	<b>1,053</b>
- Year-end net occupied rental area (sqm)	255,462	220,763	260,763	310,763	360,763
- Monthly rental rate (Bt/sqm)	147	197	206	217	228
<b>2) Real estate sale</b>	<b>4,337</b>	<b>4,502</b>	<b>4,160</b>	<b>3,900</b>	<b>3,900</b>
- Area sold to WHAPF/WHART (sqm)	167,107	205,165	160,000	150,000	150,000
- Selling price (Bt/sqm)	25,952	21,943	26,000	26,000	26,000
<b>3) Data center</b>				<b>168</b>	<b>210</b>
<b>4) Others (Div + Fees)</b>	<b>170</b>	<b>627</b>	<b>359</b>	<b>429</b>	<b>499</b>
<b>Total revenue - WHA</b>	<b>5,058</b>	<b>5,864</b>	<b>5,249</b>	<b>5,370</b>	<b>5,662</b>
<b>HEMRAJ</b>					
<b>1) Rental &amp; Service revenue</b>	-	<b>2,236</b>	<b>2,983</b>	<b>2,736</b>	<b>2,987</b>
<b>2) Real estate sale</b>	-	<b>3,964</b>	<b>8,704</b>	<b>4,185</b>	<b>4,565</b>
- Industrial land presale (rais)	663	1,043	1,000	1,100	1,200
- <b>Industrial land sale revenue (Btm)</b>	<b>3,446</b>	<b>4,656</b>	<b>2,129</b>	<b>3,060</b>	<b>3,400</b>
- <b>Area sold to HPF/HRT (sqm)</b>			<b>250,000</b>	<b>30,000</b>	<b>30,000</b>
- Selling price (Bt/sqm)			30,000	30,000	30,000
- <b>Revenue from asset injection to HRT</b>			<b>6,575</b>	<b>1,125</b>	<b>1,165</b>
<b>3) Land sale (new industrial clusters)</b>				<b>600</b>	<b>1,200</b>
<b>4) Vietnam industrial land sale</b>				<b>100</b>	<b>200</b>
<b>Total revenue - HEMRAJ</b>	-	<b>6,200</b>	<b>11,687</b>	<b>7,621</b>	<b>8,952</b>
<b>Total revenue</b>	<b>5,058</b>	<b>12,064</b>	<b>16,936</b>	<b>12,991</b>	<b>14,614</b>
% WHA	100%	49%	31%	41%	39%
% HEMRAJ	0%	51%	69%	59%	61%
<b>Outstanding net debts (Btm)</b>	<b>6,822</b>	<b>40,382</b>	<b>38,848</b>	<b>33,884</b>	<b>36,857</b>
<b>Debt repayment</b>			<b>(10,160)</b>	<b>(4,900)</b>	<b>(4,900)</b>
- HEMRAJ's Reit			(6,000)	(1,000)	(1,000)
- WHA's Reits (WHART)			(4,160)	(3,900)	(3,900)

Source: CLSA, WHA

**Valuation details**

Our Bt4.0 target price is based on a sum-of-the-part methodology. We value its rental business based on a 6% cap rate. Real-estate sale, which accounts for both the sale of rental warehouse/factory and industrial land sale, is valued at 13.5x, which is largely in line with WHA's peers. For the power business, which belongs to HEMRAJ, the valuation is based on a DCF approach and EV/MW multiple. Lastly, the value of property fund and Reits is based on a Bt10/unit par value, including the expected capital increase for new asset injections.

**Investment risks**

The key risk for WHA after the acquisition of HEMRAJ is debt repayment, which requires timely disposal of both HEMRAJ and WHA's assets. However, as WHA successfully brought down its gearing to below 2.5x debt covenant, its financial risks are much lower in 2016 than last year. On the industrial land sale and rental warehouse business, the businesses can be significantly impacted by domestic political situation and global economic outlook. A more stable utilities and power business (from HEMRAJ's acquisition) can help mitigate these risks.

## Summary financials

Year to 31 December	2014A	2015A	2016CL	2017CL	2018CL
<b>Summary P&amp;L forecast (Btm)</b>					
<b>Revenue</b>	<b>4,888</b>	<b>11,437</b>	<b>16,577</b>	<b>12,562</b>	<b>14,115</b>
Op Ebitda	1,684	4,275	7,138	5,731	6,684
Op Ebit	1,505	3,500	6,324	4,707	5,452
Interest income	0	0	0	0	0
Interest expense	(295)	(2,284)	(2,334)	(1,813)	(1,756)
Other items	(8)	1,038	1,661	1,689	1,604
<b>Profit before tax</b>	<b>1,203</b>	<b>2,254</b>	<b>5,650</b>	<b>4,583</b>	<b>5,300</b>
Taxation	(224)	(87)	(718)	(289)	(370)
Minorities/Pref divs	-	(213)	(500)	(200)	(300)
<b>Net profit</b>	<b>979</b>	<b>1,954</b>	<b>4,432</b>	<b>4,093</b>	<b>4,630</b>
<b>Summary cashflow forecast (Btm)</b>					
<b>Operating profit</b>	<b>1,505</b>	<b>3,500</b>	<b>6,324</b>	<b>4,707</b>	<b>5,452</b>
Operating adjustments	-	-	-	-	-
Depreciation/amortisation	179	775	815	1,023	1,232
Working capital changes	(69)	103	4,131	8,189	227
Net interest/taxes/other	(1,611)	(3,377)	(3,052)	(2,103)	(2,126)
<b>Net operating cashflow</b>	<b>4</b>	<b>1,000</b>	<b>8,217</b>	<b>11,817</b>	<b>4,785</b>
Capital expenditure	(2,777)	1,388	(6,000)	(5,000)	(6,000)
<b>Free cashflow</b>	<b>(2,773)</b>	<b>2,388</b>	<b>2,217</b>	<b>6,817</b>	<b>(1,215)</b>
Acq/inv/disposals	(294)	(37,643)	-	-	-
Int, invt & associate div	(1,529)	3,791	(483)	-	-
<b>Net investing cashflow</b>	<b>(4,599)</b>	<b>(32,464)</b>	<b>(6,483)</b>	<b>(5,000)</b>	<b>(6,000)</b>
Increase in loans	5,305	21,839	(4,218)	(5,396)	2,809
Dividends	(652)	(341)	0	(1,773)	(1,637)
Net equity raised/other	(7)	12,156	0	-	-
<b>Net financing cashflow</b>	<b>4,647</b>	<b>33,654</b>	<b>(4,218)</b>	<b>(7,169)</b>	<b>1,172</b>
<b>Incr/(decr) in net cash</b>	<b>51</b>	<b>2,191</b>	<b>(2,483)</b>	<b>(352)</b>	<b>(44)</b>
Exch rate movements	0	0	0	0	0
<b>Opening cash</b>	<b>2,135</b>	<b>1,879</b>	<b>4,070</b>	<b>1,586</b>	<b>1,234</b>
<b>Closing cash</b>	<b>2,186</b>	<b>4,070</b>	<b>1,586</b>	<b>1,234</b>	<b>1,191</b>
<b>Summary balance sheet forecast (Btm)</b>					
Cash & equivalents	2,186	4,070	1,586	1,234	1,191
Debtors	104	346	326	247	277
Inventories	0	15,425	15,429	9,096	8,963
Other current assets	3,392	6,392	2,109	(10)	(10)
Fixed assets	8,026	18,481	23,666	27,643	32,411
Intangible assets	53	17,387	17,387	17,387	17,387
Other term assets	2,191	16,995	19,139	20,828	22,432
<b>Total assets</b>	<b>15,952</b>	<b>79,095</b>	<b>79,642</b>	<b>76,424</b>	<b>82,650</b>
Short-term debt	641	13,447	15,789	15,373	23,202
Creditors	597	3,381	2,314	1,920	2,129
Other current liabs	1,693	4,074	4,973	5,025	4,940
Long-term debt/CBs	8,367	31,005	24,645	19,745	14,845
Provisions/other LT liabs	174	5,529	5,529	5,529	5,529
Minorities/other equity	0	3,003	3,303	3,423	3,603
Shareholder funds	4,480	18,656	23,088	25,408	28,401
<b>Total liabs &amp; equity</b>	<b>15,952</b>	<b>79,095</b>	<b>79,642</b>	<b>76,424</b>	<b>82,650</b>
<b>Ratio analysis</b>					
Revenue growth (% YoY)	(31.0)	134.0	44.9	(24.2)	12.4
Ebitda growth (% YoY)	(17.2)	153.8	67.0	(19.7)	16.6
Ebitda margin (%)	34.5	37.4	43.1	45.6	47.4
Net profit margin (%)	20.0	17.1	26.7	32.6	32.8
Dividend payout (%)	0.0	0.0	40.0	40.0	40.0
Effective tax rate (%)	18.6	3.9	12.7	6.3	7.0
Ebitda/net int exp (x)	5.7	1.9	3.1	3.2	3.8
Net debt/equity (%)	152.3	186.4	147.2	117.5	115.2
ROE (%)	22.7	16.9	21.2	16.9	17.2
ROIC (%)	15.5	10.4	9.8	8.0	9.2
EVA@/IC (%)	8.3	2.7	2.4	0.5	1.7

Source: CLSA





# evalu@tor card



WHA Corp PCL (WHA TB)

Bt3.12

BUY

TSR: 31.9%

### WHA (WHA TB)

GICS sector	Real estate
GICS industry	Real estate mgmt
Last price	Bt3.12
12M Hi/Lo	Bt3.64 / Bt2.62
CLSA target	Bt4.00
CLSA rec	Buy
Analyst	Soraphob Panpiemtras
Last model updated	04 Oct 2016
Mkt cap (US\$m)	1,290
3M ADTO (US\$m)	8.9
Free float (%)	61.8
Total stock return (%)	31.9

### Price performance (%)

	1M	3M	6M	1Y
Local	(9.8)	0.0	1.3	1.3
US\$	(9.9)	1.3	2.8	6.5

### Peak to trough levels (12M fwd)

(x)	PE	PB	
Peak	21.7	2.9	← Peak
Trough	1.0	0.3	← 5Y avg
Current	10.7	1.8	← Current
Average	9.3	1.6	← Trough

### Corporate governance scores

	CG score (%)	Ctry rank	Sector rank
Weighted/Ranking	68.6	20/51	44/97

### Earning/balance sheet quality scores

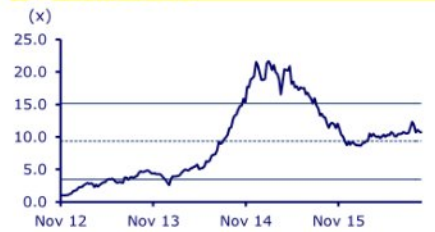
	Score
Earning-quality risk score (EQRS)	3/5
Balance-sheet-quality risk score (BQRS)	3/5

EQRS-BQRS framework created by Microstrategy team where high score = high risk.

**Style analysis** represents which quintile (among CLSA universe) the stock falls under based on the following style definitions:

- Value** - 12M fwd earnings yield, 12M fwd book yield
- Growth** - 2Y fwd EPS Cagr, sustainable growth
- Momentum** - 3M price change, EPS change (weighted)
- Defensive** - 12M fwd dividend yield, earnings certainty
- Quality** - Avg FY1-FY2 ROE, ROIC
- Garp** - PE/G, price of sustainable growth

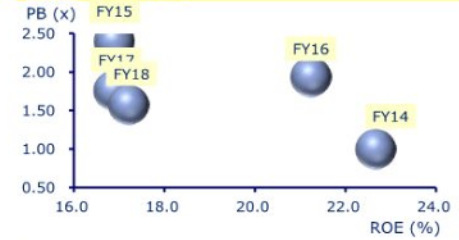
### 12M forward PE



### 12M forward PB



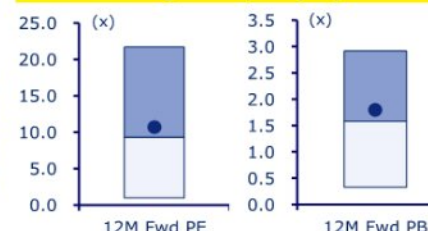
### PB versus ROE



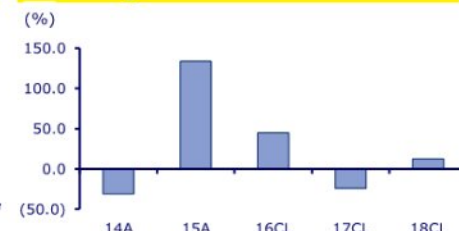
### Price chart (5Y)



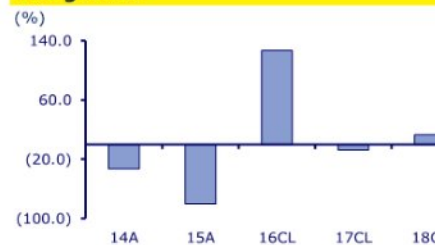
### Peak-to-trough analysis (5Y)



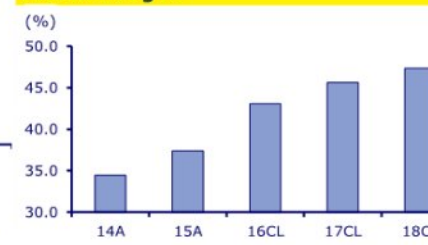
### Revenue growth



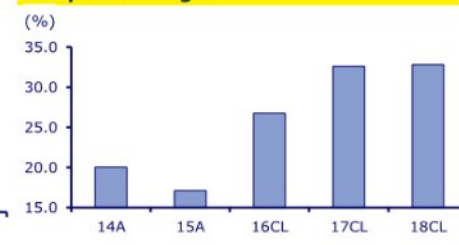
### EPS growth



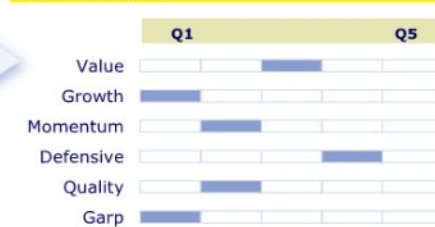
### Ebitda margin



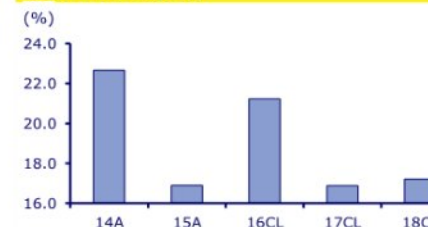
### Net profit margin



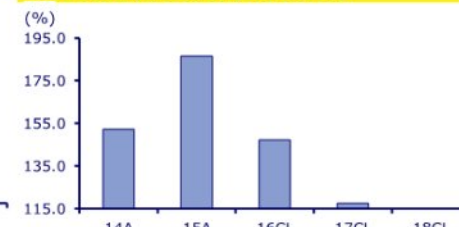
### Style analysis



### Return on equity



### Net debt/(net cash) to equity



Year end: 31 Dec 2015





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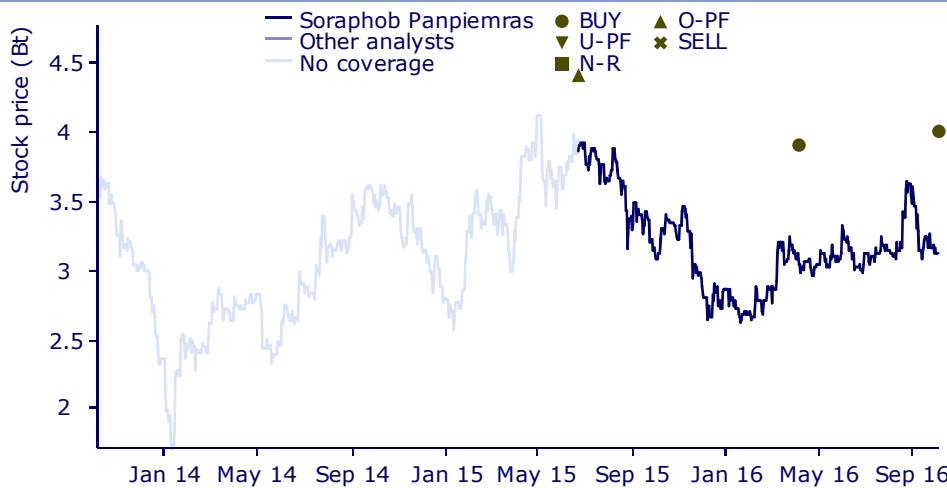
WHA (WHA TB - BT3.12 - BUY)  
Hemaraj (N-R)

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**Recommendation history of WHA Corp PCL WHA TB**



Date	Rec	Target	Date	Rec	Target
LATEST	BUY	4.00	23 Jun 2015	O-PF	4.41
05 Apr 2016	BUY	3.90			

Source: CLSA

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