

BUY (Unchanged)**TP: Bt 3.80**

(From: Bt 4.00)

Change in Numbers

Upside : 26.7%

16 DECEMBER 2016

WHA Corporation Pcl (WHA TB)

Clear catalysts in sight

We view WHA as an asset play with clear catalysts for unlocking its asset value even without an industry boom. Catalysts would be more asset sales, which started this month, after one last month, and listing of the utilities business in 1H17F. With WHA shares trading at a 22% discount to our NAV-based TP of Bt3.8, we reaffirm our BUY call.

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Weak 3Q16 results look priced in

We believe WHA's share price fall of 8% in the past month already reflects the weak 3Q16 results caused by higher-than-expected interest expenses. We revise down our 2016-18F normalized profit by 3-9% and trim our SOTP-derived NAV-based 12-month TP, using a 2017F base year, from Bt4.0 to Bt3.8/share (see our detailed NAV breakdown in Exhibit 2). WHA shares are trading at a 22% discount to our TP. Our investment case isn't based on growth from its industrial land sales, nor rent from its warehouse businesses as the industry isn't experiencing a boom period. Rather, it is based on asset sales that should help with its deleveraging process, along with its growing recurring utilities business. As such, we reaffirm our BUY call on WHA for its asset sales and utilities and power (WHAUP) business listing stories.

Value-unlocking catalysts

As an asset play, we see WHA having three short-term value-unlocking catalysts. 1) Asset sales are ongoing, including Bt8bn worth of ready-built warehouses/factories to HREIT last month and another Bt4.2bn worth of built-to-suit warehouses already sold to WHART this month. 2) Proceeds are to be used to pay down debt which would help significantly reduce WHA's balance sheet risk. 3) WHA plans to spin off its WHAUP in 1H17. While this would reduce WHA's stake from 100% to 70%, we expect the market to view it positively as a value-unlocking story.

Lower balance-sheet risk

After taking over Hemaraj Land & Development (HEMRAJ), WHA's net D/E ratio jumped to 3.2x in 3Q15. WHA repaid the massive debt via Bt9bn in asset sales, which brought down the ratio to 2.1x at end-2015. We expect WHA's balance sheet strength to improve further with its net D/E dropping to 1.1-1.7x in 2016-17F, using the proceeds from asset sales to WHART and HREIT (Bt10bn) and the WHAUP spin-off (Bt5bn).

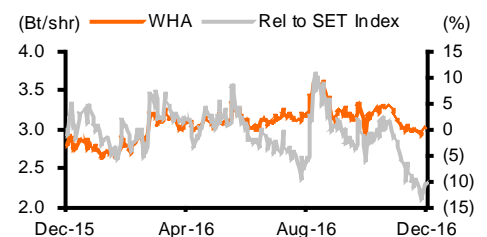
Industrial estate business, down but not out

The industrial estate (IE) industry is still in a down-cycle with weak FDI and domestic investment. However, the government has a firm policy to proceed with the so-called Eastern Economic Corridor (EEC) to promote investments by higher-value chain industries in three provinces – Rayong, Chonburi and Chachoengsao. Although this plan will likely take time as many of the promoted industries are new ones, we believe WHA stands to benefit over the long term via its seven IEs located in Rayong and Chonburi provinces, which have a strong automotive supply chain, petrochemical and consumer clusters. WHA's IE business (we value the industrial land bank at cost to conservatively reflect the down cycle), accounts for 8% of our NAV.

COMPANY VALUATION

Y/E Dec (Bt m)	2015A	2016F	2017F	2018F
Sales	11,437	10,866	11,349	12,783
Net profit	1,954	4,368	3,526	4,117
Consensus NP	—	4,416	4,130	4,354
Diff frm cons (%)	—	(1.1)	(14.6)	(5.4)
Norm profit	1,852	2,134	3,104	4,096
Prev. Norm profit	—	2,351	3,336	4,222
Chg frm prev (%)	—	(9.2)	(7.0)	(3.0)
Norm EPS (Bt)	0.1	0.1	0.2	0.3
Norm EPS grw (%)	51.2	7.5	45.3	22.0
Norm PE (x)	21.6	20.1	13.9	11.4
EV/EBITDA (x)	23.4	23.8	19.5	17.0
P/BV (x)	2.3	1.9	1.5	1.4
Div yield (%)	0.0	0.0	2.3	3.1
ROE (%)	16.0	10.2	11.7	13.0
Net D/E (%)	208.9	166.8	102.7	89.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 15-Dec-16 (Bt)	3.00
Market Cap (US\$ m)	1,207.3
Listed Shares (m shares)	14,322.4
Free Float (%)	32.9
Avg Daily Turnover (US\$ m)	8.8
12M Price H/L (Bt)	3.64/2.62
Sector	Industrial Estate
Major Shareholder	WHA Holding Co Ltd 25.1%

Sources: Bloomberg, Company data, Thanachart estimates



Ex 1: Key Assumption Revisions

Interest expenses (Bt m)	2016F	2017F	2018F
New	(2,301)	(1,629)	(1,358)
Old	(2,010)	(1,424)	(1,224)
Change (%)	14.5	14.4	11.0

Sources: Thanachart estimates

Ex 2: SOTP DCF NAV-based 12-month TP Calculation, Using A Base Year Of 2017F

	Sellable area (rai)	Sum Of The Parts (%)	Equity Value (Bt m)	Value/share (Bt)
Landbank				
Hemaraj CIE	186			
Hemaraj CIE 2	307			
ESIE	600			
Hemaraj ESIE	599			
Hemaraj ESIE 2	2,643			
Hemaraj EIE	279			
Hemaraj SIL	83			
Hemaraj RIL	432			
Industrial estate underdevelopment	1,447			
Industrial estate under planning	4,400			
Total	10,976			
Industrial landbank value at cost (at cost)		8	4,874	0.3
Warehouse & factory rental, utilities businesses (DCF)		54	32,232	2.1
Power: GHECO-One (35% holding), SPPs (DCF)		22	13,243	0.8
REITs & Property funds: WHART, WHABT, HREIT, HPF, WHAPF (DDM)		15	9,076	0.6
Total equity value		100.0	59,426	3.8

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			16F (%)	17F (%)	16F (x)	17F (x)	16F (x)	17F (x)	16F (x)	17F (x)	16F (%)	17F (%)
Mitsubishi Logistics Corp	9301 JP	Philippines	10.7	7.0	32.6	30.5	1.1	1.1	13.0	12.9	0.7	0.8
Prologis Inc	PLD US	USA	12.9	(29.4)	29.4	41.6	1.5	1.5	26.3	26.3	3.2	3.4
Global Logistic Properties Ltd	GLP SP	Singapore	3.9	1.9	41.5	40.7	1.2	1.1	31.7	25.0	1.7	2.1
Amata Corporation *	AMATA TB	Thailand	7.3	24.7	12.9	10.3	1.1	1.0	14.7	12.9	2.7	3.4
Amata VN *	AMATAV TB	Thailand	11.1	39.6	29.5	21.2	1.9	1.8	16.0	11.3	0.8	1.2
Rojana Industrial Park *	ROJNA TB	Thailand	157.7	6.1	7.6	7.2	0.7	0.7	7.8	7.5	6.6	7.0
Ticon Industrial Connection *	TICON TB	Thailand	(25.3)	10.0	30.2	27.5	1.5	1.5	23.5	23.7	2.2	2.4
WHA Corp PCL *	WHA TB	Thailand	7.5	45.3	20.1	13.9	1.9	1.5	23.8	20.4	0.0	2.3
Average			23.2	13.2	25.5	24.1	1.4	1.3	19.6	17.5	2.2	2.8

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

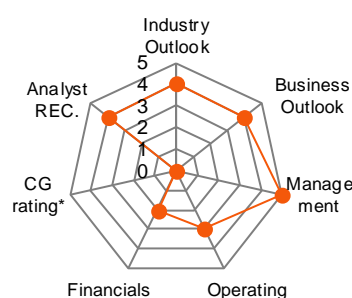
Based on 15 December 2016 closing prices

COMPANY DESCRIPTION

WHA Corporation (WHA) develops logistics facilities for lease and sales and leaseback. Its product range includes build-to-suit and warehouse farms targeting manufacturers, retailers and third-party logistics providers. Its portfolio is in logistics hub areas, i.e. Bangna-Trad Km 18-23, and industrial estates. The company currently uses 15%-owned WHA Premium Growth (WHART) as a recurring vehicle to buy its warehouse assets. WHA also owns Hemaraj Land & Development (HEMRAJ) which is a leading developer of industrial estates, utilities and rental logistics facilities in Thailand.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Lots of experience and expertise in developing build-to-suit warehouses and logistics centers.
- Very strong client profiles and enjoys a good reputation among MNCs and big-name Thai firms.
- WHA's warehouse portfolio and land bank are in prime locations that are not prone to flooding.

O — Opportunity

- Rising urbanization trend and modern trade expansion.
- Growing warehouse outsourcing trend.
- Thailand becoming the ASEAN logistics hub as a result of its growing logistics network.

W — Weakness

- Factory and warehouse for rent business needs high investment capital and has a long payback period.
- Reliance on major customers.

T — Threat

- Rising competition from major industrial estate developers such as TICON, AMATA and HEMRAJ.
- Political unrest and natural disasters.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	3.92	3.80	-3%
Net profit 16F (Bt m)	4,416	4,368	-1%
Net profit 17F (Bt m)	4,130	3,526	-15%
Consensus REC	BUY: 7	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is some 3% below the Bloomberg consensus number.
- Our 2016F earnings are in line with the Street's, but our 2017F earnings are 15% lower, which we attribute to our more conservative assumptions in terms of revenue recognition from industrial land sales.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If global or domestic economic growth is disrupted, tenants may terminate or not renew their lease contracts.
- If assets sales to REITs are less than we now assume.
- There would be downside risk to our earnings forecasts if the commercial-operating dates (COD) of six new small power producer (SPP) projects are significantly delayed from our current expectations.
- There would be downside risk, if the listing of WHAUP is delayed from 1H17F.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2014A	2015A	2016F	2017F	2018F
Sales	4,888	11,437	10,866	11,349	12,783
Cost of sales	3,269	7,431	7,262	7,214	7,910
Gross profit	1,619	4,006	3,604	4,136	4,873
% gross margin	33.1%	35.0%	33.2%	36.4%	38.1%
Selling & administration expenses	283	1,133	1,019	1,055	1,087
Operating profit	1,335	2,873	2,585	3,080	3,786
% operating margin	27.3%	25.1%	23.8%	27.1%	29.6%
Depreciation & amortization	179	775	896	857	928
EBITDA	1,514	3,648	3,481	3,938	4,714
% EBITDA margin	31.0%	31.9%	32.0%	34.7%	36.9%
Non-operating income	170	526	696	817	927
Non-operating expenses	0	0	0	0	0
Interest expense	(295)	(2,284)	(2,301)	(1,629)	(1,358)
Pre-tax profit	1,210	1,114	981	2,269	3,355
Income tax	224	87	29	272	403
After-tax profit	986	1,027	951	1,996	2,952
% net margin	20.2%	9.0%	8.8%	17.6%	23.1%
Shares in affiliates' Earnings	(8)	1,038	1,385	1,357	1,423
Minority interests	0	(213)	(203)	(249)	(280)
Extraordinary items	0	101	2,234	421	21
NET PROFIT	979	1,954	4,368	3,526	4,117
Normalized profit	979	1,852	2,134	3,104	4,096
EPS (Bt)	0.1	0.1	0.3	0.2	0.3
Normalized EPS (Bt)	0.1	0.1	0.1	0.2	0.3

Earnings to almost double in 2017F from 2015 on deleveraging impact, power expansion

BALANCE SHEET

FY ending Dec (Bt m)	2014A	2015A	2016F	2017F	2018F
ASSETS:					
Current assets:	5,682	26,233	27,632	30,528	32,887
Cash & cash equivalent	371	2,555	2,500	2,500	2,500
Account receivables	104	346	298	342	385
Inventories	3,305	19,412	20,890	23,717	26,006
Others	1,902	3,920	3,945	3,969	3,996
Investments & loans	2,138	12,166	14,730	16,471	16,827
Net fixed assets	8,025	18,481	14,397	15,165	16,992
Other assets	107	22,216	21,170	21,597	23,723
Total assets	15,952	79,095	77,929	83,761	90,428
LIABILITIES:					
Current liabilities:	2,931	20,902	15,938	14,321	14,796
Account payables	1,087	3,381	3,382	3,360	3,684
Bank overdraft & ST loans	250	1,733	1,479	1,268	1,270
Current LT debt	1,500	15,067	10,193	8,738	8,755
Others current liabilities	94	721	883	955	1,086
Total LT debt	8,369	31,005	29,080	22,215	21,266
Others LT liabilities	172	5,529	6,082	6,386	6,705
Total liabilities	11,472	57,436	54,100	50,922	52,767
Minority interest	0	3,003	805	2,729	4,684
Preferreds shares	0	0	0	0	0
Paid-up capital	964	1,432	1,432	1,551	1,551
Share premium	1,549	12,391	12,391	16,361	16,361
Warrants	0	803	803	803	803
Surplus	166	274	274	274	274
Retained earnings	1,801	3,755	8,123	11,120	13,988
Shareholders' equity	4,480	18,656	23,024	30,110	32,977
Liabilities & equity	15,952	79,095	77,929	83,761	90,428

HEMRAJ takeover mainly financed by debt

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2014A	2015A	2016F	2017F	2018F
Earnings before tax	1,210	1,114	981	2,269	3,355
Tax paid	(380)	(111)	33	(301)	(371)
Depreciation & amortization	179	775	896	857	928
Chg In working capital	(1,443)	(14,055)	(1,428)	(2,894)	(2,008)
Chg In other CA & CL / minorities	125	4,413	(1,113)	2,700	2,719
Cash flow from operations	(309)	(7,864)	(631)	2,631	4,623
Capex	(1,991)	(10,960)	3,457	(1,355)	(2,486)
ST loans & investments	(1,164)	(1,120)	0	0	0
LT loans & investments	(737)	(10,028)	(2,565)	(1,741)	(356)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(140)	(17,752)	5,237	2,935	(602)
Cash flow from investments	(4,033)	(39,861)	6,130	(161)	(3,443)
Debt financing	5,045	37,686	(7,053)	(8,530)	(930)
Capital increase	46	11,311	0	4,089	0
Dividends paid	(652)	0	0	(529)	(1,249)
Warrants & other surplus	(46)	911	0	0	0
Cash flow from financing	4,393	49,908	(7,053)	(4,970)	(2,180)
Free cash flow	(2,301)	(18,824)	2,826	1,276	2,137

Free cash flow should turn positive in 2016F

VALUATION

FY ending Dec	2014A	2015A	2016F	2017F	2018F
Normalized PE (x)	32.7	21.6	20.1	13.9	11.4
Normalized PE - at target price (x)	41.5	27.4	25.5	17.6	14.4
PE (x)	32.7	20.5	9.8	12.2	11.3
PE - at target price (x)	41.5	26.0	12.5	15.5	14.3
EV/EBITDA (x)	27.6	23.4	23.8	19.5	17.0
EV/EBITDA - at target price (x)	33.2	26.3	27.1	22.4	19.7
P/BV (x)	7.2	2.3	1.9	1.5	1.4
P/BV - at target price (x)	9.1	2.9	2.4	2.0	1.8
P/CFO (x)	(103.6)	(5.1)	(68.1)	16.4	10.1
Price/sales (x)	8.8	3.8	4.0	3.8	3.4
Dividend yield (%)	0.0	0.0	0.0	2.3	3.1
FCF Yield (%)	(7.2)	(46.9)	6.6	3.0	4.6
(Bt)					
Normalized EPS	0.1	0.1	0.1	0.2	0.3
EPS	0.1	0.1	0.3	0.2	0.3
DPS	0.0	0.0	0.0	0.1	0.1
BV/share	0.4	1.3	1.6	1.9	2.1
CFO/share	(0.0)	(0.6)	(0.0)	0.2	0.3
FCF/share	(0.2)	(1.4)	0.2	0.1	0.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2014A	2015A	2016F	2017F	2018F
Growth Rate					
Sales (%)	(31.0)	134.0	(5.0)	4.5	12.6
Net profit (%)	(33.1)	99.6	123.6	(19.3)	16.8
EPS (%)	(33.8)	59.4	108.7	(19.4)	7.9
Normalized profit (%)	(33.1)	89.3	15.2	45.5	31.9
Normalized EPS (%)	(33.8)	51.2	7.5	45.3	22.0
Dividend payout ratio (%)	0.0	0.0	0.0	30.0	35.0
Operating performance					
Gross margin (%)	33.1	35.0	33.2	36.4	38.1
Operating margin (%)	27.3	25.1	23.8	27.1	29.6
EBITDA margin (%)	31.0	31.9	32.0	34.7	36.9
Net margin (%)	20.2	9.0	8.8	17.6	23.1
D/E (incl. minor) (x)	2.3	2.2	1.7	1.0	0.8
Net D/E (incl. minor) (x)	2.2	2.1	1.7	1.0	0.9
Interest coverage - EBIT (x)	4.5	1.3	1.1	1.9	2.8
Interest coverage - EBITDA (x)	5.1	1.6	1.5	2.4	3.5
ROA - using norm profit (%)	7.2	3.9	2.7	3.8	4.7
ROE - using norm profit (%)	22.7	16.0	10.2	11.7	13.0
DuPont					
ROE - using after tax profit (%)	22.8	8.9	4.6	7.5	9.4
- asset turnover (x)	0.4	0.2	0.1	0.1	0.1
- operating margin (%)	30.8	29.7	30.2	34.3	36.9
- leverage (x)	3.1	4.1	3.8	3.0	2.8
- interest burden (%)	80.4	32.8	29.9	58.2	71.2
- tax burden (%)	81.5	92.2	97.0	88.0	88.0
WACC (%)	8.5	8.5	8.5	8.5	8.5
ROIC (%)	12.2	18.6	3.9	4.3	5.2
NOPAT (Bt m)	1,088	2,649	2,508	2,711	3,332

Sources: Company data, Thanachart estimates

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