



ALERT

Thailand

WHA Corporation PCL (WHA.BK/WHA TB)

Outperform Maintained

Price as of 10 Nov 2017	3.78
12M target price (Bt/shr)	4.40
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	16.4

Key messages

WHA reported a 3Q17 net profit of Bt506mn (+1,088% YoY, -48% QoQ) from increased revenue from industrial estate. The result was below 30% the market consensus. Its 9M17 earnings made up 80% of our full-year forecast. Revenue from industrial estate of Bt445mn accounted for 36% of total revenues, implying land transfer of about 130 rai. Its board approved an interim dividend payment of Bt0.0488/share, XD on November 22, 2017, and PD on December 8, 2017, implying a dividend yield of about 1.7%.

Chananthorn Pichayapanupat
66.2658.8888 Ext. 8849

3Q17 earnings review: Impressive YoY

Event

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Impact

Revenue from industrial development increased from land transfer

Total revenue was Bt1.25bn, divided into main three sections: i) 24% from rental business (Bt306mn), ii) 36% from industrial development business (Bt445mn), iii) 40% from utilities and power business (Bt499mn). Improvement in revenue from industrial development came from increased land transfers which confirm the positive industry outlook from EEC. Gross margin was 44.7%, dropping from 51.3% in 2Q17 and 52.2% in 3Q16 due to lower gross margin from its rental business.

Interim dividend of Bt0.0488/share

WHA's board approved an interim dividend of Bt0.4888/share for its 9M17 operating result, XD on November 22, 2017, and PD on December 8, 2017. This implies a dividend yield of 1.7%.

Valuation and action

We rate the counter Outperform with a 2018 target price of Bt4.40 based on SOTP valuation. We valued the IE business at Bt1.30 based on multiple PER 14.0x (discounted from Amata Corporation (AMATA.BK/AMATA TB)'s* 15.5x to reflect lower profitability), WHAUP at Bt1.60 and rental business at Bt1.20 based on DCF method, and investment in REIT/PF at Bt0.30 based on DDM.

Risk

Geopolitical risk, economic slowdown, natural disaster, land acquisition, sector concentration, insufficient capital.

3Q17 earnings review

Btmn	3Q17	3Q16	YoY (%)	2Q17	QoQ (%)	9M17	9M16	YoY (%)
Revenue	1,250	1,300	(3.9)	2,563	(51.2)	4,784	3,848	24.3
Gross Profit	558	678	(17.7)	1,315	(57.5)	2,324	1,775	31.0
SG&A	312	286	9.0	468	(33.4)	1,106	828	33.6
Operating Profit	583	501	16.4	998	(41.6)	1,843	1,274	44.7
Operating EBITDA	699	640	9.2	1,112	(37.1)	2,205	1,696	30.0
Non-Op Inc./(Exp)	0	0	#DIV/0!	0	#DIV/0!	0	0	#DIV/0!
Net profit	506	43	1,088.5	972	(48.0)	1,559	497	213.7
Normalized profit	506	43	1,088.5	972	(48.0)	1,559	497	213.7
EPS(Bt)	0.04	0.00	1,088.5	0.07	(48.0)	0.11	0.03	213.7
Normalized EPS(Bt)	0.04	0.00	1,088.5	0.07	(48.0)	0.11	0.03	213.7
Percent	3Q17	3Q16	YoY (ppts)	2Q17	YoY (ppts)	9M17	9M16	YoY (ppts)
Gross margin	44.7	52.2	(7.5)	51.3	(6.6)	48.6	46.1	2.5
EBIT margin	46.6	38.5	8.1	38.9	7.7	38.5	33.1	5.4
SG&A/sales	24.9	22.0	2.9	18.2	6.7	23.1	21.5	1.6
Sales breakdown	3Q17	3Q16	YoY (%)	2Q17	QoQ (%)	9M17	9M16	YoY (%)
Rental properties	306	456	(32.9)	278	27.8	868	1,255	(30.9)
IE and Investment property	445	317	40.3	1,790	(1,344.7)	2,367	1,139	107.8
Utilities and power	499	527	(5.3)	496	3.0	1,549	1,454	6.5
Total	1,250	1,300	(3.9)	2,564	(1,313.9)	4,784	3,848	24.3

Source: Company data, KGI Research

KGI Locations

China	Shanghai	Room 1907-1909 , Tower A, No. 100 Zunyi Road, Shanghai, PRC 200051
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014

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Rating	Definition
Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).1.3
Under perform (U)	The stock's excess return* over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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