

WHA Corporation PCL
(WHA.BK/WHA TB)
Outperform-Maintained

Price as of 23 Nov 2017	3.98
12M target price (Bt/shr)	4.40
Unchanged/Revised up(down) (%)	Unchanged
Upside/downside (%)	10.6

Key messages

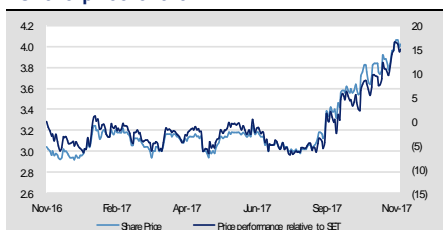
WHA sold ~700 rai of land during 9M17 and is likely to achieve our assumption of 1,000 rai this year. Vietnam would be another opportunity after the company was granted investment registration certificate. Asset monetization remains the major driver and should boost 4Q17 earnings up QoQ. Though the last closing price offer only 10.6% upside to our target, the positive outlook remains intact and could provide some earnings upside. We rate the counter Outperform with a 2018-target price of Bt4.40 based on the SOTP

Trading data

Mkt cap (Btbn/US\$mn)	57.6/1,439		
Outstanding share (mn)	14,322		
Foreign ownership (mn)	2,736		
3M avg. daily trading (mn)	136		
52-week trading range (Bt)	Bt2.9 – Bt4.1		
Performance (%)	3M	6M	12M
Absolute	33.1	28.8	35.8
Relative	22.4	17.9	18.6

Quarterly EPS

EPS	Q1	Q2	Q3	Q4
2014	0.003	0.003	0.001	0.095
2015	0.000	0.017	-0.004	0.125
2016	0.008	0.023	0.003	0.168
2017	0.006	0.068	0.035	n.a.

Share price chart


Source: SET

Positive outlook remains intact
Event

WHA held its analyst meeting on November 22, 2017.

Impact
Land sales could hit our assumption

We believe WHA can achieve our 2017 land sales assumption of 1,000 rai after it reached ~700 rai in 9M17. The company targets land sales of 1,000-1,400 rai this year and 1,250 rai in 2018 versus our assumption of 1,500 rai as it is talking with existing clients. WHA expects demand to be good once the Eastern Economic Corridor (EEC) Act is enacted at the beginning of 2018.

More progress on expansion to Vietnam

WHA's expansion to Nghe An province, Vietnam, has progressed further after it was granted investment registration certificate (IRC) for 498 hectares (~3,100 rai). Currently, WHA is waiting for land transfers of 148 hectares (~1,000 rai) from the Vietnamese government, which it expects to be completed by the end of this year, and should begin land development in 1Q18. WHA targets land sales of 120 rai in 2018 after talks with potential clients. Note that we did not take into account land sales in Vietnam in our earnings forecast, so there could be some upside risk to earnings.

Continues to sell assets to REIT

WHA will sell assets to both WHART and HREIT with a target of 85,000sqm and 55,000sqm, respectively, this year, which is in-line with our expectation. Meanwhile, it plans to continue to sell assets to REIT next year with a target of about 100,000sqm for WHART and 40,000sqm for HREIT (versus our assumption of 105,000sqm for WHART and 25,000sqm for HREIT). As a result, revenue from the sale of assets to REIT should remain the biggest proportion at about 33% of total revenue in 2018F.

Earnings to improve QoQ but drop YoY in 4Q17

We expect WHA's 4Q17 earnings to improve QoQ due to the monetization of assets to WHART (~85,000sqm) and HREIT (~40,000sqm) but should drop YoY due to less areas to be sold to REIT this year compared to last year (~160,000sqm for WHART and ~200,000sqm for HREIT).

Valuation & Action

Although the last closing price offers 10.6% upside, we maintain a rating of Outperform with a 2018 target price of Bt4.40, based on SOTP valuation, due to the positive outlook which may offer upside risk to earnings. We valued the IE business at Bt1.30 based on multiple PER14.0x (discounted from 15.5x of Amata Corporation (AMATA.BK/AMATA TB)* to reflect its 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.

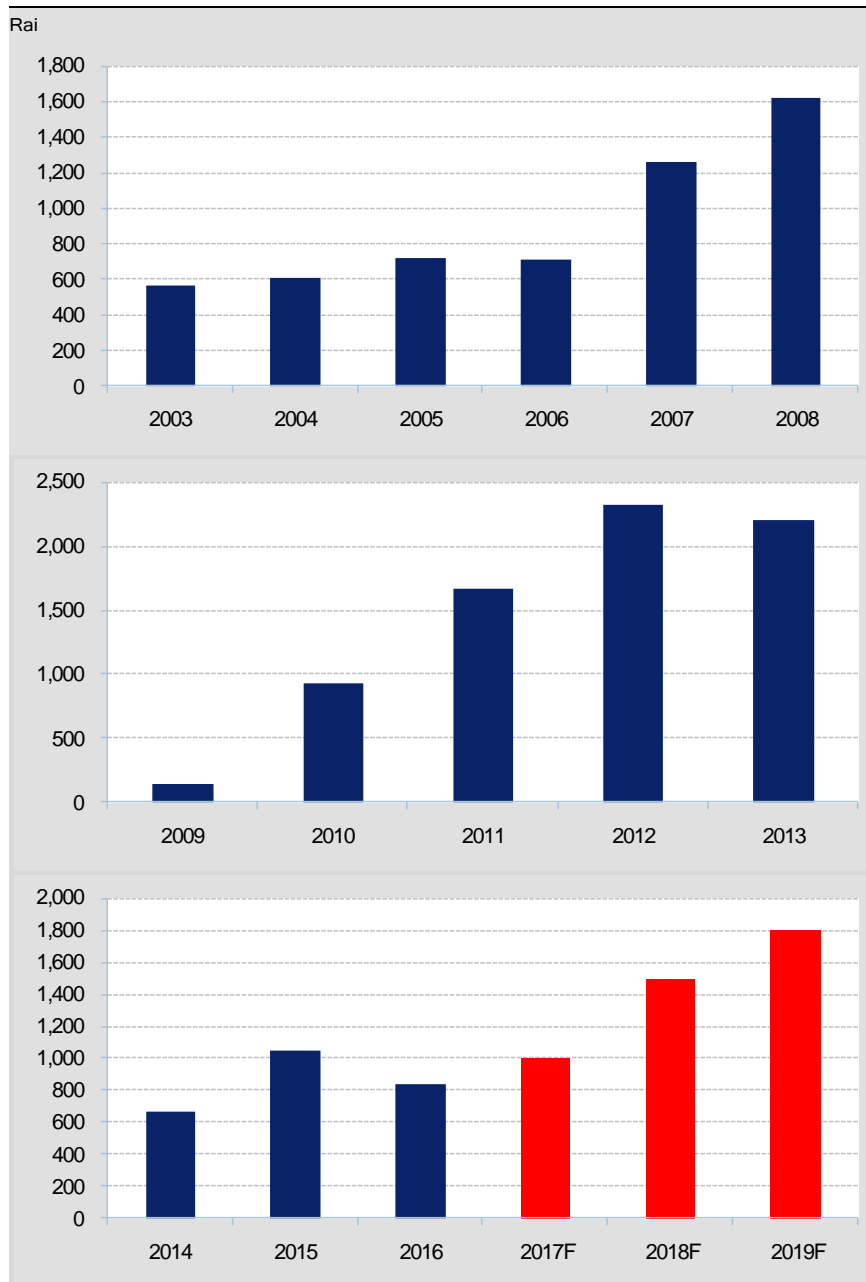
Risks

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

Key financials and valuations

	Dec - 15A	Dec - 16A	Dec - 17F	Dec - 18F	Dec - 19F
Revenue (Btmn)	11,437	17,821	9,651	11,964	14,726
Gross Profit (Btmn)	4,006	6,406	3,936	5,127	6,560
SG&A (Btmn)	1,133	1,495	1,362	1,430	1,711
Net Profit (Btmn)	1,954	2,898	1,946	3,169	4,291
Normalized Profit (Btmn)	1,819	2,876	1,946	3,169	4,291
EPS(Bt)	0.14	0.20	0.14	0.22	0.30
Normalized EPS(Bt)	0.13	0.20	0.14	0.22	0.30
DPS(Bt)	0.00	0.15	0.05	0.09	0.12
EPSGrowth (%)	34.4	48.3	(32.9)	62.9	35.4
Normalized EPSGrowth	26.3	58.1	(32.3)	62.9	35.4
P/E (X)	21.0	14.6	27.5	16.9	12.5
P/B (X)	1.9	1.9	2.5	2.2	2.0
EV/EBITDA (X)	19.3	13.0	19.1	14.2	10.6
Net Debt to Equity (%)	200.9	169.6	169.3	128.8	87.4
Dividend Yield (%)	0.0	5.2	1.5	2.4	3.2
Return on Average Equity (%)	9.0	13.2	9.0	13.1	15.8

Source: KGI Research

Figure 1: Comparison of land sales in different investment cycles


Source: WHA, KGI Research

Figure 2: Summary of leasable portfolio 2016

Area	sqm percent	Logistic Properties			Industrial Properties		
		WHA	REIT/PF	Total	HEMRAJ	REIT/PF	Total
Occupancy rate		485,011	921,395	1,406,406	297,886	411,431	709,317
		76.0	100.0	91.7	60.0	75.0	68.7

Source: WHA, KGI Research

Figure 3: REIT/Property Fund Summary

	WHART	WHAF	HPF	WHAET	HREIT
Asset Type	BTSwarehouse/factory	BTSwarehouse/factory	REIT/FW	Office Building	REIT/FW
Paid-Up capital	Bmm 9,074	9,391	4,630	1,978	5,694
Total fund raised	Bmm 136,961	9,933	4,700	2,525	8,019
NAV/unit*	B/unit 9.80	10.29	9.82	10.08	8.6898***
MKT price/unit**	B/unit 9.60	10.30	5.75	10.00	8.40
Established year	2014	2010	2013	2015	2016
Ownership	WHA hold 15%	WHA hold 15%	Hemraj hold 22.95%	WHA hold 15%	Hemraj hold 15%
Property Manager	WHA	WHA	HEMRAJ	CBRE/WHA	HEMRAJ
REIT Manager	WHA Real estate management Co.,Ltd	-	-	WHA Real estate management Co.,Ltd	Hemraj Real estate management Co.,Ltd

*Sep 30, 2017

** Nov 2, 2017

*** June 30, 2017

Source: WHA, KGI Research

Figure 4: Valuation breakdown

Business	valuation method	Equity value (Btmn)	Value per share (Bt/sh)
Real estate	multiple FER 14.0	18,585	1.3
WHAUP	DCF	22,759	1.6
Rental	DCF	17,571	1.2
REIT	DDM	4,143	0.3
Total Equity value		63,058	4.4

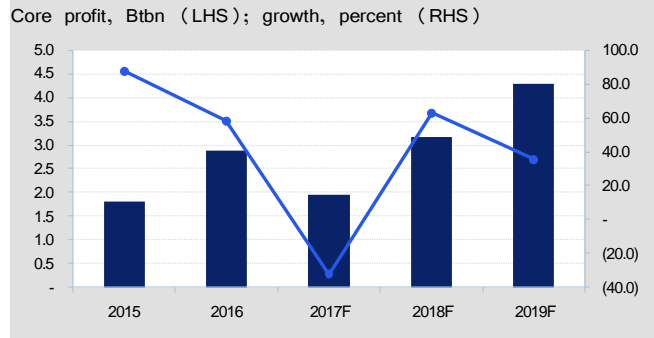
Source: KGI Research

Figure 5: Company profile

WHA Corporation (WHA) began business in 2003 involved in industrial property development. WHA has become a leading player in logistics, industrial estates, utilities and power, and digital services both in Thailand and Southeast Asia. WHA's operations consist of four major business areas with integrated services offered: i) logistics, ii) industrial development, iii) utilities and power, and vi) digital platform

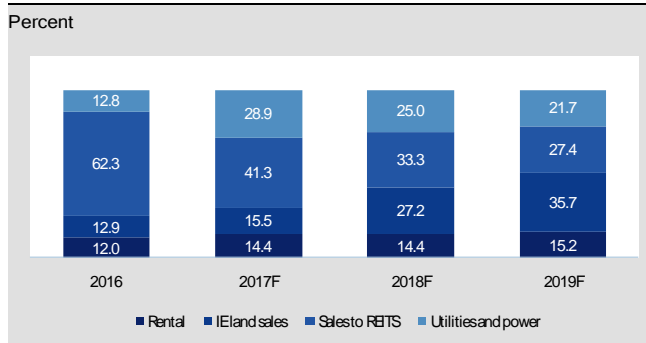
Source: Company data

Figure 6: Core profit to rebased in 2017



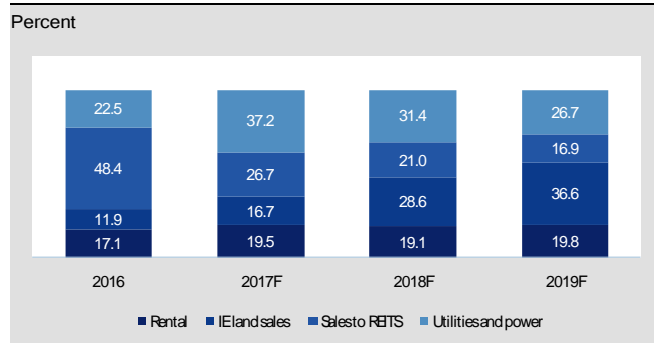
Source: Company data, KGI Research

Figure 7: Revenue contribution in 2016-2019F



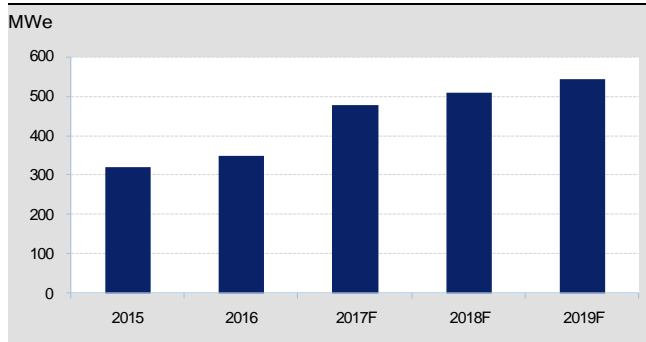
Source: Company data, KGI Research

Figure 8: Gross margin breakdown 2016-2019F



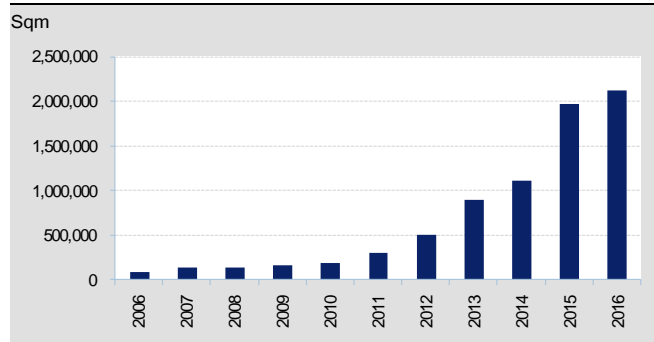
Source: Company data, KGI Research

Figure 9: Power capacity



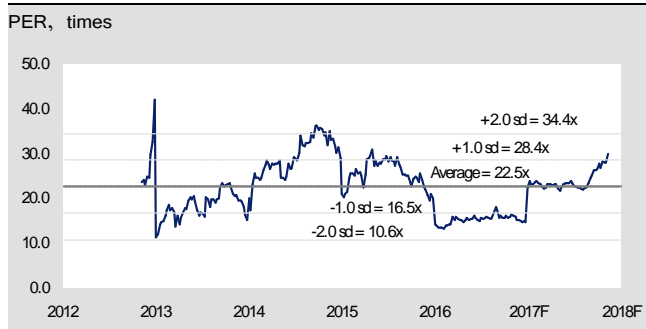
Source: Company data, KGI Research

Figure 10: Logistic and industrial area



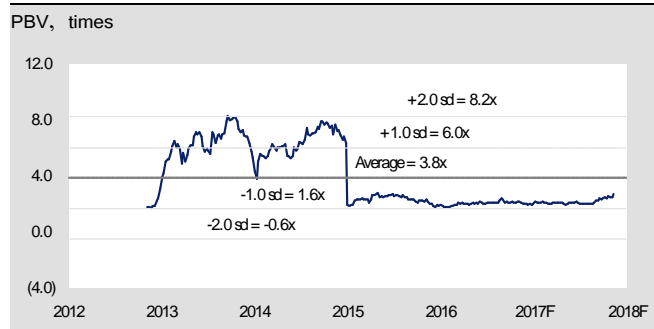
Source: Company data, KGI Research

Figure 11: Company's PER



Source: KGI Research

Figure 12: Company's PBV



Source: KGI Research

Quarterly Income Statement

	Mar-14A	Jun-14A	Sep-14A	Dec-14A	Mar-15A	Jun-15A	Sep-15A	Dec-15A	Mar-16A	Jun-16A	Sep-16A	Dec-16A	Mar-17A	Jun-17A	Jun-17A
Income Statement (Bt mn)															
Revenue	116	122	145	4,506	427	1,369	1,067	8,575	1,170	1,377	1,300	13,973	971	2,563	1,250
Cost of Goods Sold	(37)	(37)	(59)	(3,137)	(252)	(653)	(466)	(6,060)	(678)	(774)	(622)	(9,341)	(519)	(1,249)	(692)
Gross Profit	79	85	86	1,369	174	716	601	2,515	492	604	678	4,631	452	1,315	558
Operating Expense	(28)	(34)	(35)	(187)	(83)	(326)	(194)	(531)	(280)	(262)	(286)	(668)	(326)	(468)	(312)
Other incomes	33	31	35	71	46	253	94	235	104	115	108	171	137	151	336
Operating Profit	84	82	87	1,253	137	643	501	2,219	316	457	501	4,135	262	998	583
Depreciation of fixed asset	29	31	48	68	70	118	121	195	147	136	139	142	132	113	116
Operating EBITDA	54	51	39	1,185	67	525	380	2,023	169	321	361	3,993	130	885	467
Non-Operating Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-op Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Operating Expense	(48)	(50)	(79)	(118)	(205)	(730)	(651)	(699)	(611)	(617)	(628)	(577)	(453)	(419)	(406)
Interest Expense	(48)	(50)	(79)	(118)	(205)	(730)	(651)	(699)	(611)	(617)	(628)	(577)	(453)	(419)	(406)
Other Non-op Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity Income/(Loss)	(3)	(2)	(1)	(2)	76	402	175	385	450	491	220	(155)	258	693	563
Pre-tax profit	33	30	7	1,133	8	315	25	1,905	155	332	93	3,403	67	1,273	740
Current Taxation	(1)	(1)	(1)	(220)	(5)	(14)	(35)	(32)	8	17	(12)	(826)	25	(67)	(39)
Minorities	0	0	0	0	8	75	43	88	43	15	38	177	11	233	196
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	32	28	5	913	(5)	226	(53)	1,785	120	334	43	2,401	81	972	506
Normalized Profit	32	28	5	913	(5)	226	(53)	1,785	120	334	43	2,401	81	972	506
EPS(Bt)	0.00	0.00	0.00	0.09	(0.00)	0.02	(0.00)	0.12	0.01	0.02	0.00	0.17	0.01	0.07	0.04
Normalized EPS(Bt)	0.00	0.00	0.00	0.09	(0.00)	0.02	(0.00)	0.12	0.01	0.02	0.00	0.17	0.01	0.07	0.04
Margins															
Gross profit margin	67.9	69.8	59.4	30.4	40.9	52.3	56.3	29.3	42.1	43.8	52.2	33.1	46.5	51.3	44.7
Operating EBIT margin	72.1	67.3	60.0	27.8	32.2	47.0	47.0	25.9	27.0	33.2	38.5	29.6	27.0	38.9	46.6
Operating EBITDA margin	46.8	42.1	26.6	26.3	15.7	38.4	35.6	23.6	14.4	23.3	27.8	28.6	13.4	34.5	37.4
Net profit margin	27.4	23.2	3.6	20.3	(1.1)	16.5	(4.9)	20.8	10.2	24.3	3.3	17.2	8.3	37.9	40.5
Growth															
Revenue growth	(97.5)	4.9	18.8	3,015.7	(90.5)	220.9	(22.0)	703.8	(86.4)	17.7	(5.6)	974.7	(93.1)	164.1	(51.2)
Operating EBIT growth	(94.7)	(2.1)	6.0	1,344.3	(89.0)	367.6	(22.0)	342.4	(85.8)	44.8	9.4	726.1	(93.7)	280.9	(41.6)
Operating EBITDA growth	(96.5)	(5.6)	(24.8)	2,976.8	(94.3)	681.5	(27.6)	432.3	(91.7)	90.3	12.5	1,004.7	(96.7)	581.7	(47.2)
Net profit growth	(97.5)	(10.8)	(81.5)	17,317.2	(100.5)	(5,071.6)	(123.3)	(3,484.3)	(93.3)	178.9	(87.3)	5,541.4	(96.6)	1,103.8	(48.0)
Normalized profit growth	(97.5)	(10.8)	(81.5)	17,317.2	(100.5)	(5,071.6)	(123.3)	(3,484.3)	(93.3)	178.9	(87.3)	5,541.4	(96.6)	1,103.8	(48.0)

Source: KGI Research

Peer comparison - Key valuation stats

	Rating	Target Price (Bt)	Current price (Bt)	Upside (%)	16 core EPS (Bt)	17 core EPS (Bt)	18 core EPS (Bt)	17F PER (X)	18F PER (X)	17F PBV (X)	18F PBV (X)	17F Div yield (%)	18F Div yield (%)	17F ROAE (%)	18F ROAE (%)
AMATA	O	26.4	25.5	3.7	1.35	1.35	1.82	17.6	13.1	1.7	1.6	2.3	3.1	5.1	6.5
TICCN	O	19.3	16.6	16.3	0.10	0.71	0.38	23.4	43.7	1.2	1.2	3.4	1.9	3.2	1.9
WHA	O	4.4	4.0	10.6	0.20	0.14	0.22	27.5	16.9	2.5	2.2	1.5	2.4	3.9	3.0
Sector	O							22.8	24.6	1.8	1.7	2.4	2.5	4.1	3.8

Source: KGI Research

Balance Sheet

As of 31 Dec (Bt mn)	2015	2016	2017F	2018F	2019F
Total Assets	79,066	74,784	64,663	63,552	63,105
Current Assets	26,208	22,059	13,076	10,812	9,141
Cash & ST Investment	4,070	4,744	401	1,281	3,555
Inventories	0	0	0	0	0
Account Receivable	321	443	278	343	444
Others	21,817	16,873	12,397	9,188	5,142
Non-current Assets	52,858	52,724	51,587	52,741	53,963
LT Investment	26,122	25,276	24,285	25,340	26,452
Net fixed Assets	3,842	3,832	3,863	3,893	3,920
Others	22,894	23,617	23,439	23,508	23,591
Total Liabilities	57,407	52,821	42,955	39,454	35,983
Current Liabilities	20,902	15,414	14,330	10,940	12,019
Account Payable	3,381	2,452	1,253	1,499	1,790
ST Borrowing	1,693	3,649	3,649	3,649	3,649
Others	15,828	9,313	9,428	5,792	6,581
Long-term Liabilities	36,505	37,408	28,626	28,514	23,963
Long-term Debts	31,005	30,004	24,669	23,609	17,926
Others	5,500	7,404	3,957	4,905	6,037
Shareholders' Equity	21,659	21,962	21,708	24,099	27,122
Common Stock	14,322	14,322	14,322	14,322	14,322
Capital Surplus	12,391	12,391	12,391	12,391	12,391
Retained Earnings	3,658	6,526	6,272	8,662	11,686
Preferred Stock	0	0	0	0	0

Source: KGI Research

Key Ratios

Year to 31 Dec	2015	2016	2017F	2018F	2019F
Growth (%YoY)					
Sales	95.2	67.3	(55.1)	29.0	25.9
CP	132.8	59.9	(44.6)	39.6	28.9
EBITDA	201.2	38.4	(32.4)	26.6	21.5
NP	99.6	48.3	(32.9)	62.9	35.4
Normalized Profit	87.6	58.1	(32.3)	62.9	35.4
EPS	34.4	48.3	(32.9)	62.9	35.4
Normalized EPS	26.3	58.1	(32.3)	62.9	35.4
Profitability (%)					
Gross Margin	35.0	35.9	40.8	42.9	44.5
Operating Margin	28.5	29.2	29.9	33.6	35.2
EBITDA Margin	44.1	39.2	48.9	49.9	49.3
Net Margin	17.1	16.3	20.2	26.5	29.1
ROAA	2.5	3.9	3.0	5.0	6.8
ROAE	9.0	13.2	9.0	13.1	15.8
Stability					
Gross Debt/Equity (%)	2.7	2.4	2.0	1.6	1.3
Net Debt/Equity (%)	2.0	1.7	1.7	1.3	0.9
Interest Coverage (x)	2.0	2.6	2.4	3.8	5.2
Interest & ST Debt Coverage (x)	1.1	1.1	0.8	1.1	1.3
Cash Flow Interest Coverage (x)	3.0	1.8	(0.1)	3.5	4.9
Cash Flow/Interest & ST Debt (x)	1.7	0.7	(0.0)	1.0	1.3
Current Ratio (x)	1.3	1.4	0.9	1.0	0.8
Quick Ratio (x)	1.3	1.4	0.9	1.0	0.8
Net Debt (Bt mn)	43,517	37,251	36,752	31,037	23,703
Per Share Data (Bt)					
EPS	0.1	0.2	0.1	0.2	0.3
Normalized EPS	0.1	0.2	0.1	0.2	0.3
OPPS	0.5	0.3	(0.0)	0.3	0.4
BVPS	1.5	1.5	1.5	1.7	1.9
SFS	0.8	1.2	0.7	0.8	1.0
EBITDA/Share	0.4	0.5	0.3	0.4	0.5
DPS	0.0	0.2	0.1	0.1	0.1
Activity					
Asset Turnover (x)	0.1	0.2	0.1	0.2	0.2
Days Receivables	59	71	70	70	70
Days Inventory	NA	NA	NA	NA	NA
Days Payable	166	78	80	80	80
Cash Cycle	NA	NA	NA	NA	NA

Source: KGI Research

Profit & Loss

Year to Dec 31 (Bt mn)	2015	2016	2017F	2018F	2019F
Revenue	11,437	17,821	9,651	11,964	14,726
Cost of Goods Sold	(7,431)	(11,415)	(5,715)	(6,837)	(8,165)
Gross Profit	4,006	6,406	3,936	5,127	6,560
Operating Expenses	(1,133)	(1,495)	(1,362)	(1,430)	(1,711)
Other Incomes	381	293	307	323	334
Operating Profit	3,254	5,203	2,881	4,021	5,183
Depreciation of fixed assets	(505)	(564)	(583)	(613)	(643)
Operating EBITDA	5,043	6,979	4,718	5,972	7,256
Non-Operating Income	0	0	0	0	0
Interest Income	0	0	0	0	0
Other Non-op Income	0	0	0	0	0
Non-Operating Expense	(2,284)	(2,432)	(1,714)	(1,408)	(1,267)
Interest Expense	(2,284)	(2,432)	(1,714)	(1,408)	(1,267)
Other Non-op Expense	0	0	0	0	0
Equity Income/(Loss)	1,038	1,006	1,062	1,136	1,221
Pretax Profit	2,254	3,983	2,421	3,950	5,346
Current Taxation	(87)	(813)	(272)	(563)	(825)
Minorities	213	272	204	218	230
Extraordinary items	134	22	0	0	0
Net Profit	1,954	2,898	1,946	3,169	4,291
Normalized Profit	1,819	2,876	1,946	3,169	4,291
EPS(Bt)	0.14	0.20	0.14	0.22	0.30
Normalized EPS(Bt)	0.13	0.20	0.14	0.22	0.30

Source: KGI Research

Cash Flow

Year to 31 Dec (Bt mn)	2015	2016	2017F	2018F	2019F
Operating Cash Flow	6,937	4,428	(190)	4,912	6,257
Net Profit	1,954	2,898	1,946	3,169	4,291
Depreciation & Amortization	505	564	583	613	643
Change in Working Capital	4,478	966	(2,719)	1,129	1,322
Others					
Investment Cash Flow	(58,598)	3,879	4,998	1,581	2,345
Net CAPEX	(4,005)	(244)	(300)	(300)	(300)
Change in LT Investment	(38,349)	1,690	(2,351)	(1,898)	(1,983)
Change in Other Assets	(16,244)	2,434	7,649	3,779	4,628
Free Cash Flow	(51,661)	8,308	4,808	6,493	8,602
Financing Cash Flow	53,845	(8,227)	(7,042)	(5,613)	(6,328)
Change in Share Capital	468	0	0	0	0
Net Change in Debt	38,620	(5,632)	(4,842)	(4,835)	(5,060)
Change in Other LT Liab.	14,757	(2,595)	(2,200)	(778)	(1,268)
Net Cash Flow	2,184	81	(2,234)	880	2,274

Source: KGI Research

Rates of Return on Invested Capital

Year	1- CCGS Revenue	+ Depreciation Revenue	+ Operating Exp. Revenue	= Operating Margin
2015	65.0%	4.4%	13.2%	17.4%
2016	64.1%	3.2%	10.0%	22.7%
2017F	59.2%	6.0%	17.3%	17.4%
2018F	57.1%	5.1%	14.6%	23.1%
2019F	55.5%	4.4%	13.9%	26.3%
Year	1/ Working Capital Revenue	+ Net PFE Revenue	+ Other Assets Revenue	= Capital Turnover
2015	0.4	0.3	6.6	0.1
2016	0.1	0.2	4.0	0.2
2017F	(0.3)	0.4	6.3	0.2
2018F	0.1	0.3	5.0	0.2
2019F	0.1	0.3	4.0	0.2
Year	Operating Margin	x Capital Turnover	x Cash Tax Rate	= After-tax Return on Inv. Capital
2015	17.4%	0.1	3.9%	0.1%
2016	22.7%	0.2	20.4%	1.1%
2017F	17.4%	0.2	11.2%	0.3%
2018F	23.1%	0.2	14.3%	0.6%
2019F	26.3%	0.2	15.4%	0.9%

Source: KGI Research

WHACorporation PCL- Recommendation & target price history



Source: 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 Telephone886.2.2181.8888 · Facsimile886.2.8501.1691
Hong Kong	41/F CentralPlaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand Bangkok	8th - 11th floors, AsiaCentreBuilding 173 South Sathorn Road, Bangkok10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014

KGI's Ratings

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 typesofcommunications, 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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