BUY (Unchanged) | TP: Bt 4.30 (From: Bt 4.00)

Change in Numbers | Upside : 34.4% | 6 JUNE 2022

Small Cap Research

WHA Corporation Pcl (WHA TB)

Two-factor turnaround

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We reaffirm our BUY on WHA for two prospective turnaround factors. The first is its industrial estate sales on the country reopening and the other is its power plant business passing its trough. With the potential turnaround, WHA looks inexpensive to us at -1STD PE.

Thanachart Securities

Reaffirming BUY

We reaffirm our BUY call with an SOTP-based 12-month TP of Bt4.3 (from Bt4.0) on a roll-over to the 2023F base year, based on the turnaround prospects of its two key businesses. The first is industrial estate (IE) land sales which should recover from pent-up post-COVID demand and global investment diversification demand due to rising geopolitical risks. The other is its utilities business which is growing from improving post-COVID economic activity and SPP power plants bottoming after suffering high gas costs. We also see WHA as inexpensive trading on -1STD PEs of 15/12x in 2022-23F vs. 14/24/11% EPS growth in 2022-24F.

Industrial estate business likely to turn around

We foresee 3 drivers for the IE business: 1) post-COVID pent-up demand, 2) demand from production base diversification beyond China, and 3) WHA now having Vietnam land to sell. We expect the IE business to contribute 18% of 2024F EBIT (vs. 4% in 2021). We estimate 1,100/1,400/1,490 of IE presales in 2022-24F vs. 510/554 rai (1 rai = 1,600 sqm) in 2020-21. WHA presold 920 rai p.a. in 2015-19. It is seeing interest from the auto, especially Chinese supply chain, electronics, consumer products, machinery and medical sectors. China remains the key demand contributor with Europe and US customers emerging. WHA has presold 236 rai of industrial land YTD but the business is seasonally backloaded in 2H.

Utilities look to be bottoming out

WHA's utilities business contributed 26% of EBIT in 2021 and we expect this to rise to 30% in 2024F. We see two turnaround factors. The first is the normalization of business activities post-COVID and new water customers leading to improving water and power consumption at IEs in Thailand and falling losses from its Vietnam water business on ramped-up utilization. The other is its SPP business bottoming out from the effects of high gas costs. SPPs have suffered since 4Q21 and more in 1Q22 from rising gas costs. However, we expect a turnaround to start from 2Q22F with subsiding gas costs and a higher power tariff from fuel tariff (Ft) hikes (Exhibit 9). We expect flat EBIT and equity income contribution from the utilities business in 2022F and a turnaround in the growth rate to 33/16% in 2023-24F.

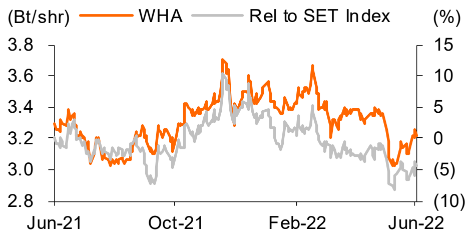
PE down to -1STD

Given the turnaround trend, we see WHA as inexpensive trading at nearly 1STD PE below the mean (see Exhibit 10). Our EPS growth estimates are 14/24/11% in 2022-24F against PE of 15/12x in 2022-23F. The breakdown of our SOTP-based TP is shown in Exhibit 12. On an absolute basis, we estimate WHA's normalized earnings to reach new highs of Bt3.1/3.8bn in 2022-23F vs. Bt2.7bn-2.9bn p.a. during 2016-19.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	10,417	9,749	13,042	14,013
Net profit	2,590	3,468	3,855	4,290
Norm profit	2,718	3,105	3,855	4,290
Consensus NP	—	3,369	3,817	4,103
Diff frm cons (%)	—	*2.9*	*1.0*	*4.5*
Prev. Norm profit	—	3,227	3,771	4,303
Chg frm prev (%)	—	*(3.8)*	*2.2*	*(0.3)*
Norm EPS (Bt)	0.2	0.2	0.3	0.3
Norm EPS grw (%)	9.5	14.2	24.1	11.3
Norm PE (x)	17.6	15.4	12.4	11.2
EV/EBITDA (x)	22.0	24.0	17.8	16.0
P/BV (x)	1.6	1.5	1.4	1.3
Div yield (%)	2.3	2.9	3.2	3.6
ROE (%)	9.2	9.8	11.3	11.7
Net D/E (%)	102.8	92.7	84.5	76.1

PRICE PERFORMANCE



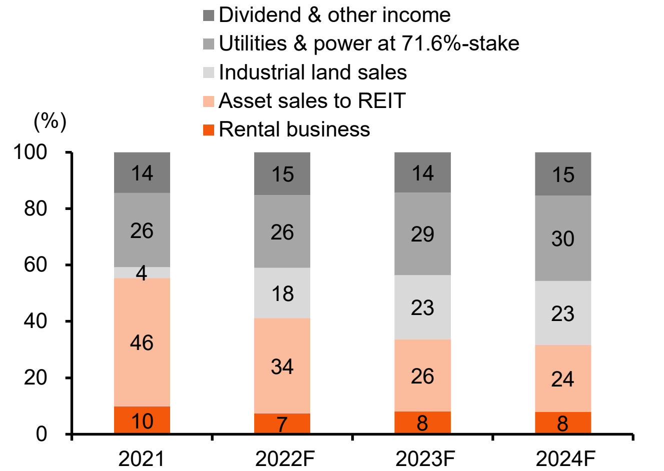
COMPANY INFORMATION

Price *as of* 6-Jun-22 (Bt)	3.20
Market Cap (US$ m)	1,394.5
Listed Shares (m shares)	14,946.8
Free Float (%)	67.5
Avg Daily Turnover (US$ m)	6.7
12M Price H/L (Bt)	3.70/3.02
Sector	Industrial Estate
Major Shareholder	WHA Holding Co Ltd 25.2%

Sources: Bloomberg, Company data, Thanachart estimates

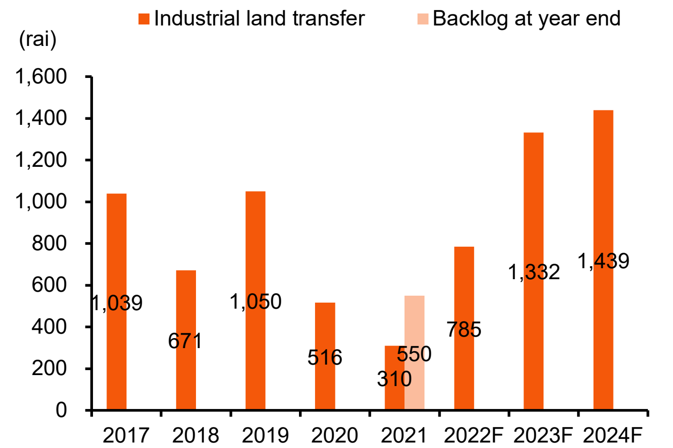
Excluding an extra gain on sales of data-center assets of Bt345m in 1Q22, we estimate WHA's normalized earnings to grow by 14/24/11% in 2022-24F. We consider this to be a good earnings turnaround from the high base last year when WHA increased its warehouse sales to REITs and non-IE land sales to boost its earnings growth. Though we expect warehouse rental and asset sales to drop by 26/12% in 2022-23F from the high base last year, we see the majority of 2022F earnings growth coming from a turnaround in industrial estate (IE) land sales and a growth recovery of its utilities businesses in Thailand and Vietnam. We also expect power plant income to help drive earnings in 2023-24F when gas costs peak.

Ex 1: Operating Profit And Equity Income Breakdown



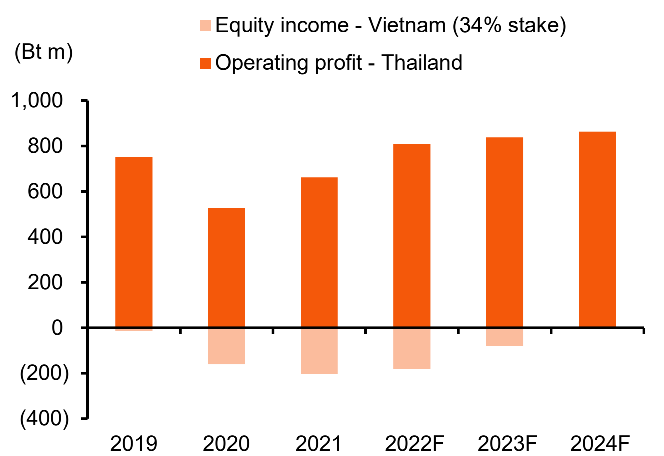
Source: Thanachart estimates

Ex 2: Majority Of Earnings Growth Is from Land Revenue



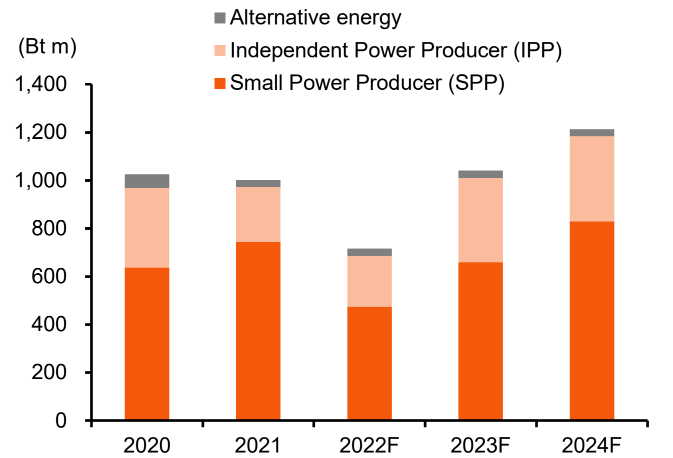
Sources: Company data, Thanachart estimates

Ex 3: Improving Water Business



Sources: Company data, Thanachart estimates

Ex 4: Improving Equity Income From Power

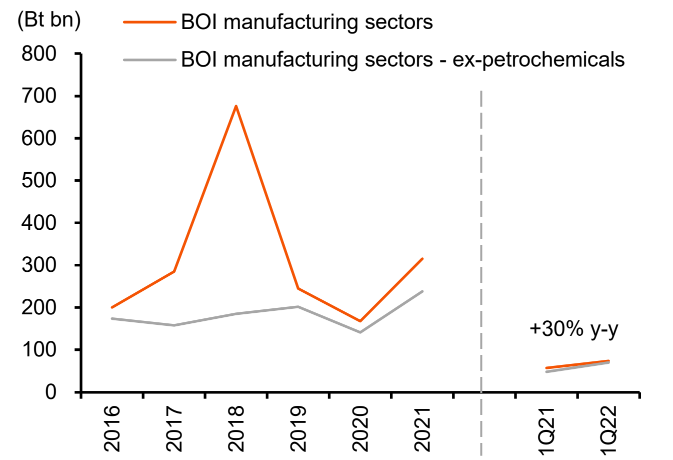


Sources: Company data, Thanachart estimates

IE business (18% of 2022F operating profit and equity income): We expect the IE business' contribution to rise from 4% of 2021 EBIT to 23% in 2024F. Due to site visit hurdles and the economic slowdown amid COVID, WHA's IE presales came to just 510/554 rai in 2020-21 vs. the five-year pre-COVID average presales of 920 rai. This was despite first-time expansion in 2020 into Vietnam. WHA's IE business in Vietnam, namely the WHA Industrial Zone – Nghe An, is located in Nghe An province in the North Central Coast region. The market share of FDI inflows to Nghe An province is 0.6%. With full support from the local government, WHA sees high potential for Nghe An to attract FDI inflows given an abundant labor force of up to 2m workers and its accessibility to infrastructure. Nghe An has 83km of coastline, an international airport, good-quality national highways, access to three deep-sea ports and a rail station. There are also four border checkpoints to Laos that are well connected by highways.

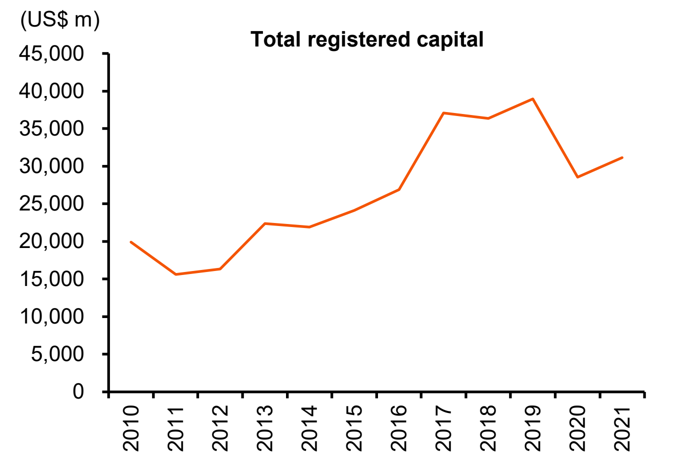
We foresee three drivers for WHA's IE business: 1) post-COVID pent-up demand, 2) demand from production base diversification beyond China, and 3) WHA now having land in Vietnam to sell and we project above-average presales of industrial land of 1,100/1,400/1,490 rai in 2022-24F vs. its five-year pre-COVID average presales of 920 rai.

Ex 5: Manufacturing BOI Applications Surpassing 2019's



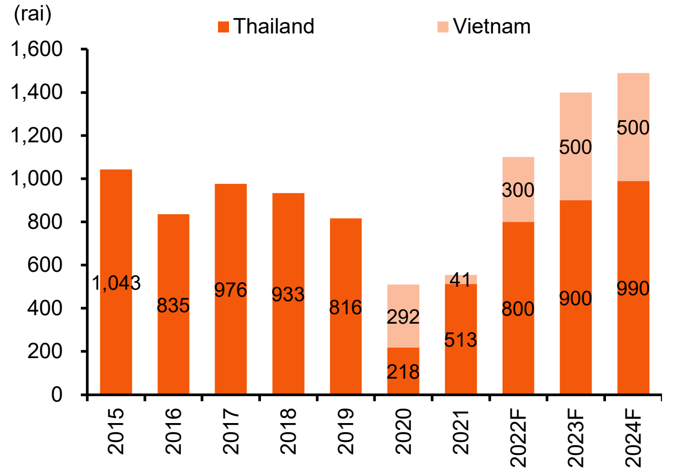
Source: Board of Investment

Ex 6: Vietnam FDI Has Started To Rebound



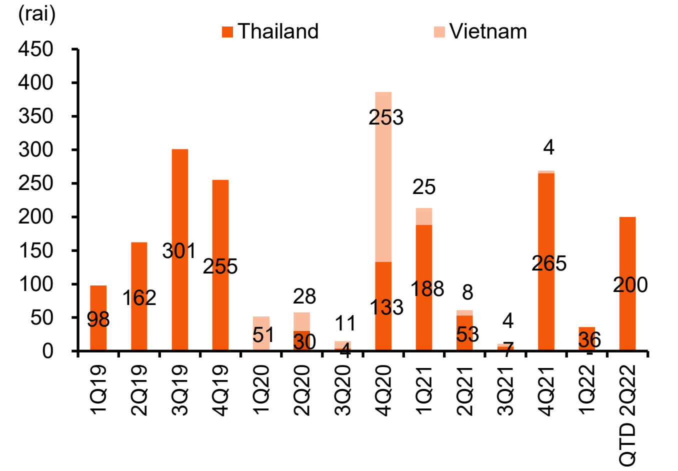
Source: General Statistics Office In Vietnam

Ex 7: Industrial Land Presales



Sources: Company data, Thanachart estimates

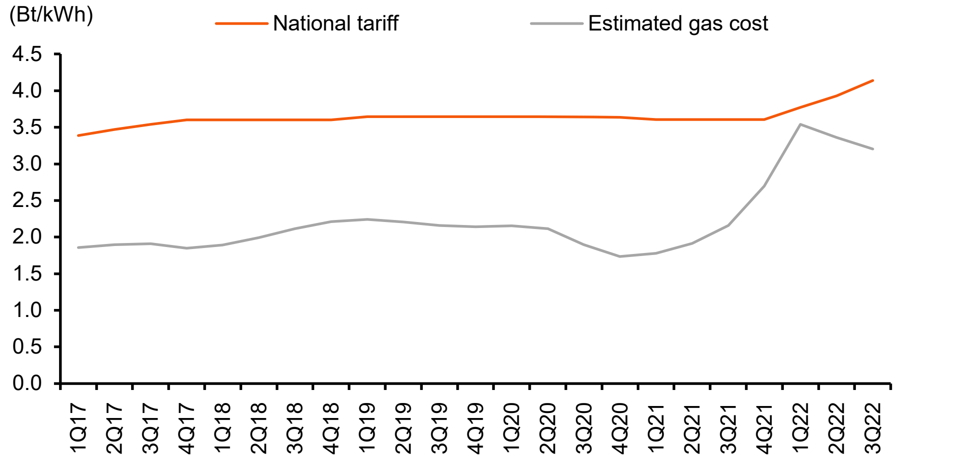
Ex 8: Industrial Land Quarterly Presales



Sources: Company data, Thanachart estimates

Utilities & power business (26% of 2022F EBIT and equity income): The turnaround is likely to come from all segments. For its utilities business in Thailand, as demand has started to recover with new demand from two new IPPs and a petrochemical plant in 2021-22, water revenue in Thailand rose by 15% in 2021 and we estimate growth of 15/5% in 2022-23F. For its 34%-held SDWTP water project in Vietnam, because of rising utilization, we project a lower loss via equity income of Bt180m in 2022F and Bt80m in 2023F and breakeven in 2024F vs. a Bt204m loss in 2021. Its power plant business should see a turnaround starting from 2Q22F with subsiding gas costs and a higher power tariff from fuel tariff (Ft) hikes. We expect flat EBIT and equity income contribution from its utilities business in 2022F at 26% and a turnaround in the growth rate to 33/16% in 2023-24F.

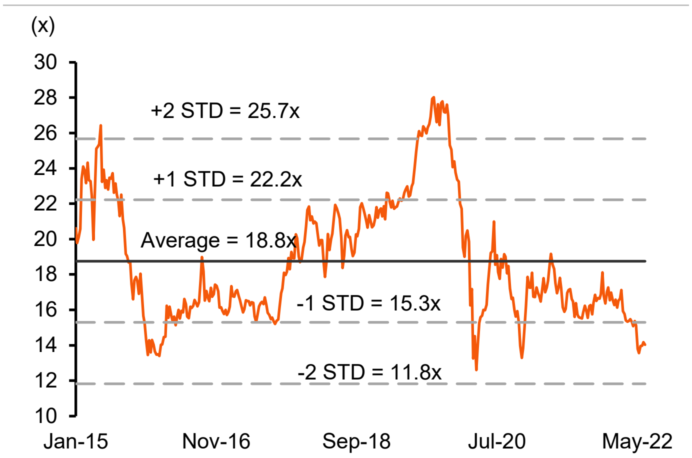
Ex 9: Rising Electricity Price And Subsiding Gas Costs Ease SPPs' Margin



Sources: ERC, Thanachart estimates

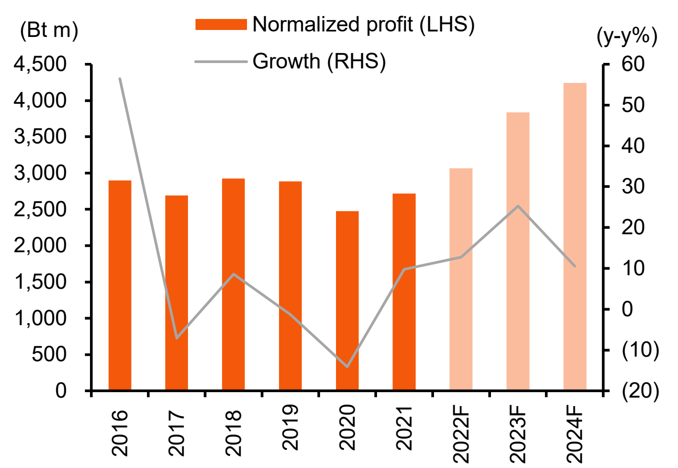
WHA looks inexpensive to us on both an NAV and PE basis. Its 15x PE multiple in 2022F is nearly 1STD below its range over 2015-19. It is trading at 74% of our NAV estimate of Bt4.3, where we already assign a 24% discount to the price of developed land while raw land is valued at cost.

Ex 10: WHA Trades At The Bottom Of Its PE Range…



Sources: Bloomberg, Thanachart estimates

Ex 11: …While Earnings Could Reach A New, Higher Base



Sources: Company data, Thanachart estimates

Ex 12: We Reaffirm BUY With A DCF/NAV-derived SOTP-based TP Of Bt4.3

	Equity value (Bt m)	Value/ share (Bt)	Sum of the parts (%)
Industrial land bank value	11,528	0.8	19
Warehouse & factory rentals, asset sales (DCF)	11,268	0.8	19
Asset sales to WHART, HREIT and customers (DCF)	13,956	0.9	21
WHAUP (Utilities and power) - 70% stake (DCF)	14,424	1.0	22
REITs* -15-23% stake (DDM)	11,766	0.8	19
Total equity value	62,942	**4.3**	**100**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: Valuation Comparison With Regional Peers

			EPS growth		—— PE ——		— P/BV —		EV/EBITDA		—Div yield—	
Name	**BBG code**	**Country**	**22F (%)**	**23F (%)**	**22F (x)**	**23F (x)**	**22F (x)**	**23F (x)**	**22F (x)**	**23F (x)**	**22F (%)**	**23F (%)**
Sembcorp Industri	SCI SP	Singapore	65.1	12.5	11.0	9.8	1.2	1.1	9.5	8.8	2.2	2.7
Bekasi Fajar Industrial Estate	BEST IJ	Indonesia	na	506.1	65.7	10.8	0.3	0.3	11.6	8.2	na	0.5
Alam Sutera Realty	ASRI IJ	Indonesia	211.9	13.5	8.0	7.1	0.4	0.3	6.5	6.0	na	na
Bumi Serpong Damai	BSDE IJ	Indonesia	33.5	11.5	12.7	11.4	0.6	0.6	7.3	7.4	na	na
Ciputra Development	CTRA IJ	Indonesia	(10.5)	2.9	11.9	11.5	1.0	0.9	7.0	6.6	1.2	1.1
Lippo Karawaci	LPKR IJ	Indonesia	na	49.5	35.7	23.9	0.5	0.4	9.3	8.2	0.0	0.0
Pakuwon Jati	PWON IJ	Indonesia	18.5	15.1	15.1	13.0	1.4	1.3	9.0	8.1	0.8	0.9
Summarecon Agung	SMRA IJ	Indonesia	46.5	31.4	22.0	16.7	1.2	1.1	8.4	7.4	0.9	0.9
Surya Semesta	SSIA IJ	Indonesia	na	289.2	51.8	13.3	0.5	0.5	6.6	4.8	0.0	0.0
Amata Corporation *	AMATA TB	Thailand	70.7	40.8	17.5	12.4	1.2	1.2	13.8	11.0	2.3	3.2
Amata VN *	AMATAV TB	Thailand	39.9	69.8	31.8	18.7	1.5	1.5	18.4	13.8	5.8	2.1
Frasers Property*	FPT TB	Thailand	57.3	26.3	15.2	12.1	1.0	1.0	18.0	15.2	2.6	3.3
WHA Corp PCL *	WHA TB	Thailand	14.2	24.1	15.4	12.4	1.5	1.4	24.0	17.8	2.9	3.2
Average			**54.7**	**84.1**	**24.1**	**13.3**	**0.9**	**0.9**	**11.5**	**9.5**	**1.9**	**1.6**

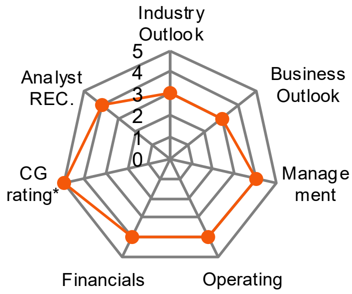
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS
Based on 6-Jun-22 closing prices

COMPANY DESCRIPTION

WHA Corporation (WHA) develops logistics facilities for lease. Its product range includes build-to-suit and warehouse farms targeting manufacturers, retailers and third-party logistics providers. WHA is also a developer of industrial estates in Thailand and Vietnam. There are two REITs, namely WHART and HREIT, that were established as funding vehicles for WHA via the sale of assets to funds

Source: Thanachart

COMPANY RATING



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

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Lots of experience and expertise in developing built-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.

W — Weakness

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

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.

T — Threat

- Rising competition from major industrial estate developers such as FPT and AMATA.
- Politics and natural disasters.
- A weakening global economy

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	4.12	4.30	4%
Norm profit 22F (Bt m)	3,369	3,468	3%
Norm profit 23F (Bt m)	3,817	3,855	1%
Consensus REC	**BUY: 11**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our profit forecasts and SOTP-based 12-month TP are largely in line with the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected domestic economy and/or global downturn would pose the key downside risk to our land sales assumptions.
- There would be downside risks to our numbers if the company were to transfer less industrial land than we expect.
- If asset sales to customers/REITs are lower than we now assume, this would represent a secondary downside risk.
- If global or domestic economic growth is disrupted, tenants may terminate or not renew their lease contracts. This would be another downside risk to our call.
- If the new investment incentives fail to attract investors, we see downside risk to our long-term land sales assumptions.

Source: Thanachart

We project 14/24/11% normalized EPS growth in 2022-24F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	6,914	10,417	9,749	13,042	14,013
Cost of sales	3,841	5,663	5,374	7,402	7,910
Gross profit	**3,073**	**4,754**	**4,375**	**5,640**	**6,103**
% gross margin	44.4%	45.6%	44.9%	43.2%	43.6%
Selling & administration expenses	1,304	1,604	1,636	1,825	1,893
Operating profit	**1,769**	**3,150**	**2,739**	**3,815**	**4,209**
% operating margin	25.6%	30.2%	28.1%	29.2%	30.0%
Depreciation & amortization	592	620	670	729	790
EBITDA	**2,361**	**3,770**	**3,409**	**4,544**	**4,999**
% EBITDA margin	34.2%	36.2%	35.0%	34.8%	35.7%
Non-operating income	1,284	915	1,012	1,040	1,100
Non-operating expenses	0	0	0	0	0
Interest expense	(1,112)	(1,146)	(1,042)	(1,019)	(1,165)
Pre-tax profit	**1,940**	**2,919**	**2,709**	**3,836**	**4,145**
Income tax	293	679	406	575	622
After-tax profit	**1,647**	**2,241**	**2,302**	**3,261**	**3,523**
% net margin	23.8%	21.5%	23.6%	25.0%	25.1%
Shares in affiliates' Earnings	1,171	760	1,108	921	1,174
Minority interests	(341)	(283)	(305)	(327)	(407)
Extraordinary items	47	(128)	363	0	0
NET PROFIT	**2,524**	**2,590**	**3,468**	**3,855**	**4,290**
Normalized profit	**2,477**	**2,718**	**3,105**	**3,855**	**4,290**
EPS (Bt)	0.2	0.2	0.2	0.3	0.3
Normalized EPS (Bt)	0.2	0.2	0.2	0.3	0.3

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	17,362	17,844	17,933	18,637	19,229
Cash & cash equivalent	3,794	3,573	3,500	3,500	3,500
Account receivables	461	435	481	536	576
Inventories	12,626	12,635	12,808	13,182	13,653
Others	481	1,200	1,144	1,419	1,500
Investments & loans	16,122	15,713	16,251	16,688	17,136
Net fixed assets	17,821	17,514	18,943	20,250	21,690
Other assets	31,316	31,698	32,052	32,403	32,753
Total assets	**82,621**	**82,769**	**85,179**	**87,978**	**90,808**
LIABILITIES:					
Current liabilities:	14,707	18,636	13,028	13,092	13,012
Account payables	2,577	2,583	2,650	2,738	2,817
Bank overdraft & ST loans	1,947	2,997	374	367	357
Current LT debt	9,865	12,579	9,254	9,085	8,837
Others current liabilities	318	477	750	902	1,001
Total LT debt	**29,533**	**22,986**	**27,761**	**27,256**	**26,512**
Others LT liabilities	6,214	7,117	7,830	8,354	8,939
Total liabilities	**50,454**	**48,739**	**48,619**	**48,702**	**48,463**
Minority interest	3,362	3,436	3,740	4,067	4,474
Preferreds shares	0	0	0	0	0
Paid-up capital	1,495	1,495	1,495	1,495	1,495
Share premium	15,266	15,266	15,266	15,266	15,266
Warrants	0	0	0	0	0
Surplus	2,971	3,518	3,518	3,518	3,518
Retained earnings	**9,073**	**10,315**	**12,540**	**14,930**	**17,591**
Shareholders' equity	28,805	30,594	32,819	35,209	37,870
Liabilities & equity	**82,621**	**82,769**	**85,179**	**87,978**	**90,808**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,940	2,919	2,709	3,836	4,145
Tax paid	(325)	(631)	(380)	(556)	(567)
Depreciation & amortization	592	620	670	729	790
Chg In working capital	(162)	22	(151)	(341)	(431)
Chg In other CA & CL / minorities	(12)	(103)	1,117	490	808
Cash flow from operations	**2,033**	**2,827**	**3,964**	**4,159**	**4,744**
Capex	(2,719)	(307)	(2,040)	(1,972)	(2,162)
Right of use	(710)	(307)	(100)	(100)	(100)
ST loans & investments	244	(291)	0	0	0
LT loans & investments	10,203	410	(538)	(437)	(448)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(7,018)	724	712	496	595
Cash flow from investments	**(0)**	**228**	**(1,966)**	**(2,014)**	**(2,114)**
Debt financing	2,030	(2,475)	(828)	(681)	(1,002)
Capital increase	1,356	0	0	0	0
Dividends paid	(1,733)	(1,694)	(1,243)	(1,465)	(1,629)
Warrants & other surplus	(2,819)	893	0	0	0
Cash flow from financing	**(1,166)**	**(3,277)**	**(2,071)**	**(2,145)**	**(2,630)**
Free cash flow	**(686)**	**2,520**	**1,924**	**2,187**	**2,583**

VALUATION

The stock trades at a 26% discount to our SOTP-based NAV-derived TP

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	19.3	17.6	15.4	12.4	11.2
Normalized PE - at target price (x)	25.9	23.6	20.7	16.7	15.0
PE (x)	18.9	18.5	13.8	12.4	11.2
PE - at target price (x)	25.4	24.8	18.5	16.7	15.0
EV/EBITDA (x)	36.1	22.0	24.0	17.8	16.0
EV/EBITDA - at target price (x)	43.1	26.3	28.8	21.5	19.3
P/BV (x)	1.7	1.6	1.5	1.4	1.3
P/BV - at target price (x)	2.2	2.1	2.0	1.8	1.7
P/CFO (x)	23.5	16.9	12.1	11.5	10.1
Price/sales (x)	6.9	4.6	4.9	3.7	3.4
Dividend yield (%)	2.0	2.3	2.9	3.2	3.6
FCF Yield (%)	(1.4)	5.3	4.0	4.6	5.4
(Bt)					
Normalized EPS	0.2	0.2	0.2	0.3	0.3
EPS	0.2	0.2	0.2	0.3	0.3
DPS	0.1	0.1	0.1	0.1	0.1
BV/share	1.9	2.0	2.2	2.4	2.5
CFO/share	0.1	0.2	0.3	0.3	0.3
FCF/share	(0.0)	0.2	0.1	0.1	0.2

Sources: Company data, Thanachart estimates

Manageable net D/E of 1.2x, on our 2022F estimate

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(33.9)	50.7	(5.8)	33.5	7.0
Net profit (%)	(21.8)	2.6	32.3	12.0	10.6
EPS (%)	(23.3)	2.4	32.3	12.0	10.6
Normalized profit (%)	(14.1)	9.7	12.7	25.3	10.6
Normalized EPS (%)	(15.7)	9.5	12.7	25.3	10.6
Dividend payout ratio (%)	37.6	42.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	44.4	45.6	44.8	43.2	43.5
Operating margin (%)	25.6	30.2	28.2	29.7	30.5
EBITDA margin (%)	34.2	36.2	35.0	35.3	36.1
Net margin (%)	23.8	21.5	23.0	24.8	24.8
D/E (incl. minor) (x)	1.3	1.1	1.3	1.2	1.1
Net D/E (incl. minor) (x)	1.2	1.0	1.2	1.1	1.0
Interest coverage - EBIT (x)	1.6	2.8	2.5	3.3	3.2
Interest coverage - EBITDA (x)	2.1	3.3	3.1	3.9	3.8
ROA - using norm profit (%)	3.0	3.3	3.6	4.3	4.5
ROE - using norm profit (%)	8.5	9.2	10.2	12.6	12.9
DuPont					
ROE - using after tax profit (%)	5.7	7.5	7.6	10.6	10.5
- asset turnover (x)	0.1	0.1	0.1	0.1	0.2
- operating margin (%)	44.1	39.0	38.5	38.1	38.8
- leverage (x)	2.8	2.8	2.8	2.9	2.8
- interest burden (%)	63.6	71.8	70.4	76.5	75.2
- tax burden (%)	84.9	76.8	85.0	85.0	85.0
WACC (%)	6.2	6.2	6.2	6.2	6.2
ROIC (%)	2.3	3.6	3.6	4.8	5.2
NOPAT (Bt m)	1,502	2,418	2,349	3,311	3,632
invested capital (Bt m)	66,356	65,584	68,746	70,318	73,208

Sources: Company data, Thanachart estimates

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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