

WHA CORPORATION PLC

No. 215/2022
31 October 2023

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 03/03/23

Company Rating History:

Date	Rating	Outlook/Alert
27/10/21	A-	Stable
27/09/19	A-	Negative
14/11/17	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on WHA Corporation PLC (WHA) and the ratings on WHA's senior unsecured debentures at "A-" with a "stable" rating outlook.

The ratings continue to reflect WHA's strong competitive position and proven track record in built-to-suit warehouses and industrial estate development. The ratings also incorporate the sizable base of WHA's recurring income from rental properties, utility services, and dividends from power plants. This is in addition to the financial flexibility that the company gains from the sale of assets to real estate investment trusts (REIT). Nonetheless, the ratings are weighed down by the country risks associated with WHA's operations and investments abroad as well as the volatile nature of the industrial property for sale market. The ratings also take into consideration our concerns over unfavorable economic conditions and interest rate hikes, which could negatively affect investment sentiments.

KEY RATING CONSIDERATIONS

Substantial rise in land sales

Growth momentum in industrial land sales is expected to continue over the next few years, driven by heightened geopolitical tensions, and escalating demand from electric vehicle (EV) manufacturers.

The volume of WHA's land sales in Thailand surged to 1,793 rai in 2022 and 941 rai in the first half of 2023, compared with an average of 800 rai per year during 2017-2021. The substantial increase stemmed from the post-Coronavirus Disease 2019 (COVID-19) recovery, coupled with a sizable sale to leading Chinese EV manufacturers. Revenue from land transfers also improved significantly, rising to THB5.8 billion in 2022 and THB2.3 billion in the first half of 2023, from an average of THB2 billion per year in 2017-2021.

We anticipate WHA will continue delivering satisfactory land sales. With its well-established reputation, combined with existing supply chains and anchor customers located in its properties, WHA has become increasingly prominent in providing attractive solutions to global EV operators. Additionally, we expect Thailand will continue to benefit from the wave of manufacturing relocation driven by ongoing trade tensions between the United States (US) and China as well as the threat of global supply chain disruptions. Moreover, WHA is well positioned to capitalize on new business opportunities from its plentiful land banks totaling 6,200 rai in Thailand (including land to be developed), 70% of which are in the Eastern Economic Corridor (EEC) area of Rayong Province and Chonburi Province.

Our base-case forecast for WHA projects land sales in Thailand of around 1,700 rai in 2023, almost 20% of which would be derived from a sizable land plot sale to a leading Chinese EV manufacturer. Land sales are projected to reach 1,100 rai in 2024 before normalizing at around 850 rai in 2025. Given the land sales and backlog, revenue from land transfers in Thailand is projected at about THB5 billion per year in 2023-2024, and THB3.6 billion in 2025.

Strong growth prospects in Vietnam

We expect greater contributions from the company's Vietnam operations from 2023 onwards, given a track record of successful land sales from its first industrial estate, together with promising prospects and growing foreign direct investment (FDI) in Vietnam.

WHA has been granted an investment certificate to develop its first industrial estate in Nghe-An Province in Northern Vietnam, with a total gross area of 2,100 hectares (or 13,125 rai). The first and second phases include 2,325 rai of land available for sale. During 2021 through the first half of 2023, the total volume of land sold was 253 rai, mostly to well-known Chinese electronic suppliers, and the company has a number of potential customers in the pipeline. Given strong demand, the company plans to accelerate the license approval process for the next phase.

WHA has expanded its industrial land portfolio to Thanh Hoa Province in Northern Vietnam and Quang Nam Province in Central Vietnam. The company expects the construction to commence for these projects in 2024 and 2027, respectively.

We view the business outlook in Vietnam to be positive, fueled by the country's low labor costs and proximity to China, as well as benefits from the country's free trade agreements with major economies. However, uncertainties arising from regulatory changes and the license approval process remain key issues. Taking into consideration these uncertainties, we project WHA's land sales in Vietnam will reach 300-400 rai per annum in 2023-2025 with project revenues from land sales of THB700-THB800 million per year over the same period.

Growing demand for rental properties expected

We maintain a positive view on demand for warehouses and factories in the coming years, despite several challenges and threats of decelerating economic growth. We anticipate growing demand will stem from the transformation of consumer behavior towards online channels as well as from the threat of supply chain disruptions. We also expect the EEC development to bolster sentiment and attract more FDI. Under our base-case scenario, WHA's rental and service income are projected at THB1.1-THB1.2 billion per annum in 2023-2025.

Recurring income from utility services

WHA's strong business profile is supported by steady growth in revenue from utility services. These services provide a stable revenue source that can partially offset the effect of fluctuations in land sales. WHA's revenue from utility services grew steadily to THB2.5 billion in 2022 from THB2 billion in 2016, a compound annual growth rate of 4.1%. During the first half of 2023, revenue from utility services surged by 11.3% year-on-year (y-o-y) to THB1.4 billion. The strong growth is attributed to increasing numbers of new customers and rising demand from power plants located in WHA's industrial estates, as well as a greater contribution from value-added water supplies.

Looking forward, WHA's revenue from utility services is expected to increase steadily, supported by continued growth in the number of customers in WHA's industrial estates in Thailand and Vietnam, as well as from rising demand for water supplies among newly operational power plants. We expect recurring revenue from utility services to rise steadily to THB2.7-THB2.9 billion per annum in 2023-2025, from THB2.5 billion in 2022.

Reliable cash flow from the power business

Through its subsidiaries, WHA owns equity stakes in several power plants. At the end of June 2023, proportionate to its equity stakes in the power plants, WHA had a combined power generating capacity of 654 megawatts (MW) and 63 MW in pipeline. Despite the drastic drop in shared profits and dividend income from the power business owing to a steep rise in fuel costs in 2022, the situation improved in the first half of 2023 on the back of the gradual normalization of fuel costs and electricity price adjustments.

Going forward, we project dividend income from the company's power business of about THB0.9 billion per year in 2023-2025, or about 15% of WHA's earnings before interest, taxes, depreciation, and amortization (EBITDA).

Significant decrease in leverage, but sizable CAPEX in the pipeline for business expansion

WHA's capital structure improved significantly on the back of satisfactory operating performance, particularly in land sales. WHA's adjusted net debt was THB33.6 billion in 2022 and THB34.4 billion at the end of June 2023, down from THB35-THB38 billion in 2019-2021. The net debt to EBITDA ratio was 5 times in 2022 and 4.9 times in the first half of 2023, compared with 5.5-8 times in 2019-2021.

However, we expect WHA's leverage to elevate over the next few years as the company accelerates implementation of its growth strategy. WHA's capital expenditures (CAPEX) are projected to be THB4-THB8 billion per year during 2023-2025. The expenditures mainly involve the development of new industrial estates in Thailand and Vietnam, as well as investments in

utility projects and properties for rent. The adjusted net debt to EBITDA ratio is forecast to hover around 5.5-6.5 times during 2023-2025, while the EBITDA interest coverage ratio should stay at about 3.5-4.2 times during the same period.

Adequate liquidity

Over the next 12 months, we assess WHA's liquidity to be adequate. Sources of funds comprise funds from operations (FFO) estimated at about THB4.2 billion, as well as cash and cash equivalents of THB8.2 billion at the end of June 2023. The company has undrawn credit facilities of around THB10 billion. The uses of funds are scheduled debt repayments of approximately THB8 billion, and CAPEX of about THB8 billion. Additionally, WHA and its subsidiaries are able to access the capital market. It could also sell rental properties to REITs as a funding alternative. WHA plans to sell rental properties to WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) amounting to THB3.5 billion in the last quarter of 2023.

According to the key financial covenant on its debentures, WHA is required to maintain its net interest-bearing debt to equity ratio below 2.5 times. The ratio was 1.0 times as of June 2023, well below the covenant threshold. The company should have no problems complying with the financial covenant over the next 12 to 18 months.

BASE CASE ASSUMPTIONS

- Total operating revenue of around THB12-THB14 billion per annum in 2023-2025.
- EBITDA in the range of THB5.5-THB6.5 billion per annum, with an EBITDA margin of 44%-47% in 2023-2025.
- Total capital spending of THB4-THB8 billion per year during 2023-2025.

RATING OUTLOOK

The "stable" outlook reflects our expectation that WHA will be able to maintain its leading position in the industrial estate development and warehouse for rent businesses, as well as keep its leverage under control. WHA earns a significant amount of recurring income from the sale of utilities and rental fees, as well as dividends from power generation assets. These cash streams, plus the sales of assets to REITs, should provide an adequate cushion against the volatility inherent in industrial land sales.

RATING SENSITIVITIES

The ratings on WHA could come under downward pressure if private investment stays persistently low nationwide, causing revenues and cash flow from operations to fall significantly below expectations. Any sizeable, debt-funded investments, which materially weaken its balance sheet and debt serviceability, with adjusted debt to EBITDA ratio rising above 7 times for a prolonged period, could also lead to a negative rating revision.

On the contrary, the ratings could be revised upward should the company demonstrate significant, sustainable increases in cash generation while improving its balance sheet, with adjusted debt to EBITDA ratio sustained well below 5 times.

COMPANY OVERVIEW

Established in 2007 and listed on the Stock Exchange of Thailand (SET) in 2012, WHA is the leading provider of built-to-suit warehouses in Thailand. Currently, Ms. Jareeporn Jarukornsakul, one of the co-founders, is the Chairman of the Executive Committee and Group Chief Executive Officer. WHA provides four core business services: logistics, industrial development, utilities & power and digital.

For the logistics business, WHA's warehouses are located in major logistics zones, such as Bang Na-Trad Road, and Ayutthaya Province. WHA has expanded through partnerships with Central Group, KPN Group Corporation Co., Ltd. (KPN), and Daiwa House among others. With the support of these partners, the company is able to leverage expertise, secure land plots, and acquire more customers.

During 2014-2015, WHA expanded into the industrial development business by acquiring a 98.5% equity stake in WHA Industrial Development PLC (WHAID, formerly Hemaraj Land and Development PLC (HEMRAJ)), a leading industrial estate developer in Thailand. The total consideration of this transaction was THB43.3 billion. At the end of June 2023, the company operated 12 industrial estates in Thailand with 3,268 rai of land available for sale and 2,931 rai to be developed. Apart from Thailand, the company has expanded its footprint in Vietnam, with its first overseas project located in Nghe-An Province. WHA has been granted an investment registration certificate for 2,100 hectares (or 13,125 rai) of land. The first and second phases include 2,325 rai of land available for sale.

Apart from Nghe-An Province, WHA has expanded its industrial land portfolio to Thanh Hoa Province in Northern Vietnam and Quang Nam Province in Central Vietnam. The company expects construction for these projects to commence in 2024

and 2027, respectively. The industrial estate in Thanh Hoa Province will cover a total area of 850 hectares (or 5,320 rai), while Quang Nam Province will cover a total area of 400 hectares (or 2,500 rai).

Additionally, WHA owns equity stakes in several power plants operated under independent power producer (IPP), small power producer (SPP), and very small power producer (VSPP) schemes. Based on the equity holding in each project, WHA had 654 MW of power generating capacity as of June 2023 and additional 63 MW under development.

KEY OPERATING PERFORMANCE

Table 1: WHA’s Revenue Breakdown

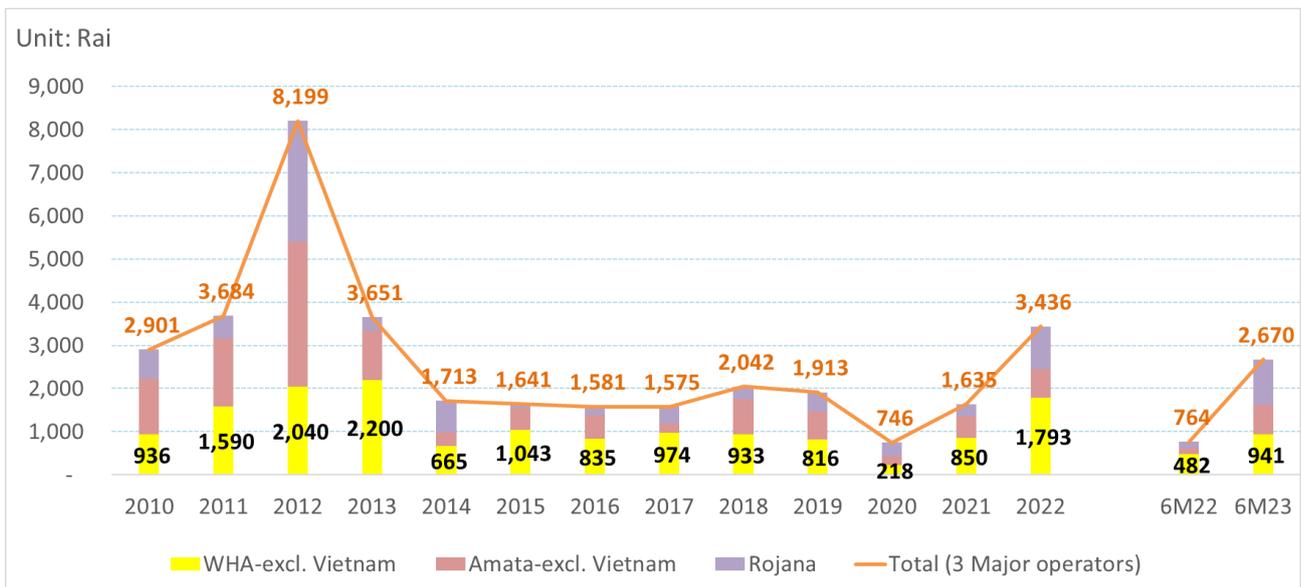
Unit: %

Revenue	2018	2019	2020	2021	2022	Jan-Jun 2023
Sales						
- Industrial land	25	33	22	15	49	53
- Sales of investment properties	36	35	30	47	22	1
Total sales	61	68	51	63	71	54
Recurring income						
- Rental and services	14	10	19	15	11	16
- Utility services	25	22	30	23	19	30
Total recurring income	39	32	49	37	29	46
Total revenues	100	100	100	100	100	100
Total revenues (mil. THB)	8,410	10,463	6,914	10,417	13,729	4,728

Source: WHA

Note: Figures in this table do not include the share of profit from investments in power companies.

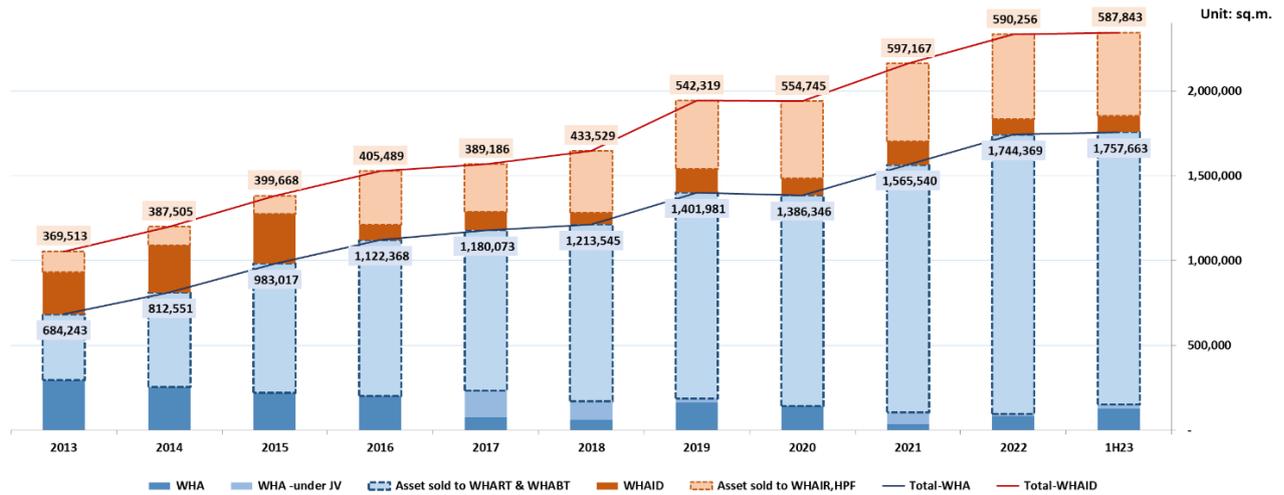
Chart 1: Industrial Land Sales in Thailand



* Total Land Sales were the sum of land sales from three major operators (WHA, AMATA, ROJNA).

Sources: WHA, AMATA, and ROJNA

Chart 2: Leased Areas Owned and Managed by WHA



Source: WHA

Table 2: Summary of WHA's Investment in Power Companies

Project Name	Type	JV Partner	Location	Installed Capacities (MW)	WHAUP Portion	Equity MW	COD
Operating Phase							
Gheco-I	IPP	Coal	Glow	Map Ta Phut IE	660	35.00%	231 Q3'12
Glow IPP	IPP	Gas Combined Cycle	Glow	WHA CIE 1	713	5.00%	36 Jan-03
Houay Ho Power	IPP	Hydro	Glow	Lao PDR	152	12.75%	19 Sep-99
GJP NLL	SPP	Gas Co-gen	Gulf JP	WHA RIL	123	25.01%	31 May-13
Gulf Solar	VSPP	Solar	Gulf	WHA LP 1, WHA CIE 1, WHA ESIE 1, ESIE	0.6	25.01%	0.2 Jun-14 – Jan-15
WHA Gunkul	VSPP	Solar	Gunkul	Bangna and Ayudthaya	3.3	74.99%	2.5 Apr – Jul-14
BGWHA-1	SPP	Gas Co-gen	B Grimm	WHA CIE 1	130	25.01%	33 Nov-16
GVTP	SPP	Gas Co-gen	Gulf MP	ESIE	137	25.01%	34 May-17
GTS1	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34 Jul-17
GTS2	SPP	Gas Co-gen	Gulf MP	ESIE	134	25.01%	34 Sep-17
GTS3	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32 Nov-17
GTS4	SPP	Gas Co-gen	Gulf MP	WHA ESIE 1	130	25.01%	32 Jan-18
GNLL2	SPP	Gas Co-gen	Gulf MP	WHA RIL	127	25.01%	32 Jan-19
CCE	VSPP	Waste-to-energy	Glow & Suez	WHA CIE 1	8.6	33.33%	2.9 Q4'19
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	101	100.0%	101 May-18-Q2'23
Total				2,684		654	
Development Phase							
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	63	100.0%	63 Q3'23-Q2'24
Total				63		63	

Source: WHA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	5,247	14,982	11,639	8,198	11,440
Earnings before interest and taxes (EBIT)	2,382	5,997	4,701	4,273	5,271
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,641	6,735	6,404	5,657	4,635
Funds from operations (FFO)	1,892	5,243	4,908	4,218	3,294
Adjusted interest expense	611	1,138	1,158	1,142	1,040
Capital expenditures	1,120	3,743	2,695	3,577	3,910
Total assets	88,400	86,302	82,769	82,621	82,264
Adjusted debt	34,406	33,599	35,396	37,989	36,700
Adjusted equity	35,562	35,612	34,030	32,167	33,101
Adjusted Ratios					
EBITDA margin (%)	50.32	44.96	55.02	69.00	40.52
Pretax return on permanent capital (%)	8.49 **	8.03	6.40	5.83	7.51
EBITDA interest coverage (times)	4.32	5.92	5.53	4.95	4.46
Debt to EBITDA (times)	4.88 **	4.99	5.53	6.72	7.92
FFO to debt (%)	16.12 **	15.60	13.87	11.10	8.98
Debt to capitalization (%)	49.17	48.55	50.98	54.15	52.58

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

WHA Corporation PLC (WHA)

Company Rating:	A-
Issue Ratings:	
WHA244A: THB1,000 million senior unsecured debentures due 2024	A-
WHA244B: THB2,000 million senior unsecured debentures due 2024	A-
WHA247B: THB1,450 million senior unsecured debentures due 2024	A-
WHA253A: THB2,500 million senior unsecured debentures due 2025	A-
WHA257A: THB500 million senior unsecured debentures due 2025	A-
WHA250A: THB2,380 million senior unsecured debentures due 2025	A-
WHA263A: THB3,800 million senior unsecured debentures due 2026	A-
WHA264A: THB400 million senior unsecured debentures due 2026	A-
WHA264B: THB1,000 million senior unsecured debentures due 2026	A-
WHA273A: THB4,000 million senior unsecured debentures due 2027	A-
WHA283A: THB1,200 million senior unsecured debentures due 2028	A-
Rating Outlook:	Stable

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