

WHA CORPORATION PLC

No. 4/2018

19 January 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
14/11/17	A-	Stable

Contacts:

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Jutatip Chitphromphan

jutatip@trisrating.com

Rungrat Suntornpagasit

rungrat@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating of WHA Corporation PLC (WHA) at “A-”. At the same time, TRIS Rating assigns the rating of “A-” to WHA’s existing senior unsecured debentures totaling Bt14,195 million.

The ratings reflect WHA’s strong competitive position in warehouse business and its role as one of the leading industrial estate developers in Thailand. The ratings are also supported by the sizable base of recurring income the company earns from its properties for rent, the sale of utility services, and investments in power projects. The strengths are, however, partially constrained by the volatile nature of the industrial property market. The ratings also incorporate the financial flexibility WHA has via selling assets to real estate investment trusts (REITs).

WHA’s financial performance improved during the first nine months of 2017, underpinned by strong growth in revenues from land sales and a continued rise in recurring utility income. Revenue soared by 23.8% year-on-year (y-o-y) to Bt4,784 million in the first nine months of 2017. Revenue from land transfers was Bt2,215 million in the first nine months of 2017, rising from Bt785 million during the same period of a year earlier. Utility services and rental income rose by 8.9% y-o-y to Bt1,441 million in the first nine months of 2017. WHA’s profitability was satisfactory. The operating margin (operating income before depreciation and amortization as a percentage of revenue) in the first nine months of 2017 was 33.7%, increasing from 31%-32% in 2015-2016. As a result, earnings before interest, taxes, depreciation, and amortization (EBITDA) rose by 30% y-o-y to Bt3,751 million during the first nine months of 2017. The successful implementation of a deleveraging plan pushed leverage down. Total debt to capitalization ratio improved to 56.9% as of September 2017, from 70.1% at the end of 2014. A rise in funds from operations (FFO) and a drop in total debt pushed the FFO to total debt ratio to 9.3% (annualized, from the trailing 12 months) in the first nine months of 2017, up from about 6% in 2015 and 8% in 2016.

Looking forward, the long-term prospects for investment in Thailand are expected to remain intact as a result of the nation’s strategic location and good infrastructure. The prospects are also supported by the development of the Eastern Economic Corridor (EEC), reinforced by greater government’s spending for infrastructure, and the more attractive benefits the investors will be rewarded from the new policy of Thailand Board of Investment (BOI).

RATING OUTLOOK

The “stable” outlook reflects the expectation that WHA can maintain its leading position in the warehouse and industrial property industries. The recurring income WHA earns from the sale of utilities, power projects, and rental properties, together with the sale of assets to REITs will provide a cushion for the company to protect it from the volatility inherent in the sale of industrial land.

Under TRIS Rating’s base-case scenario, WHA’s FFO is projected to hover around Bt3,500-Bt4,200 million per year in 2017-2019. The debt to capitalization ratio of WHA is forecast to hold at moderate level, and the FFO to

total debt ratio is projected to stay around 10% during the next three years, partially supported by financial flexibility it has via selling assets to REITs.

RATING SENSITIVITIES

The ratings of WHA could be under downward pressure if the nation's investment spending stays low, pushing the company's revenues and cash flow from operations down below expectations. Any sizeable, debt-funded investments, which deteriorate balance sheet and limit debt serviceability, would also be a negative factor for the ratings. On the contrary, the ratings could be revised upward should the company make significant, sustainable increases in cash flow while improving the balance sheet.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Sep 2017	----- Year Ended 31 December -----			
		2016	2015	2014	2013
Revenue	4,784	17,821	11,437	4,888	7,085
Gross interest expense	1,282	2,452	2,303	361	239
Net income from operations	1,559	2,898	1,853	979	45
Funds from operations (FFO)	564	3,406	2,865	1,152	1,593
Total assets	74,147	74,784	79,066	15,952	11,049
Total debts	36,163	41,995	47,627	10,503	5,201
Shareholders' equity	27,423	21,962	21,659	4,480	4,153
Operating income before depreciation and amortization as % of sales	33.70	30.99	31.80	30.98	27.53
Pretax return on permanent capital (%)	10.79 **	9.63	10.53	12.31	23.03
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	2.93	2.87	2.26	4.64	8.49
FFO/total debt (%)	9.29 **	8.11	6.02	10.97	30.62
Total debt/capitalization (%)	56.87	65.66	68.78	70.10	55.60

* Consolidated financial statements

** Annualized from trailing 12 months

Notes: 1) All ratios include revenues and expenses from selling assets to property funds and REITs.
2) Total debt means interest-bearing debt.

WHA Corporation PLC (WHA)

Company Rating:	A-
Issue Ratings:	
WHA183A: Bt200 million senior unsecured debentures due 2018	A-
WHA189A: Bt570 million senior unsecured debentures due 2018	A-
WHA189B: Bt2,000 million senior unsecured debentures due 2018	A-
WHA18NA: Bt290 million senior unsecured debentures due 2018	A-
WHA194A: Bt1,000 million senior unsecured debentures due 2019	A-
WHA195A: Bt1,110 million senior unsecured debentures due 2019	A-
WHA195B: Bt150 million senior unsecured debentures due 2019	A-
WHA196A: Bt230 million senior unsecured debentures due 2019	A-
WHA196B: Bt100 million senior unsecured debentures due 2019	A-
WHA197A: Bt385 million senior unsecured debentures due 2019	A-
WHA197B: Bt280 million senior unsecured debentures due 2019	A-
WHA197C: Bt300 million senior unsecured debentures due 2019	A-
WHA204A: Bt1,500 million senior unsecured debentures due 2020	A-
WHA204B: Bt1,000 million senior unsecured debentures due 2020	A-
WHA204C: Bt2,600 million senior unsecured debentures due 2020	A-
WHA208A: Bt100 million senior unsecured debentures due 2020	A-
WHA217A: Bt600 million senior unsecured debentures due 2021	A-
WHA219A: Bt1,500 million senior unsecured debentures due 2021	A-
WHA247A: Bt280 million senior unsecured debentures due 2024	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria