

WHA CORPORATION PLC

No. 203/2024
5 November 2024

CORPORATES

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

Last Review Date: 06/03/24

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 reflect WHA's dominant business profile, underpinned by its successful 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 (REITs). Nonetheless, the ratings are weighed down by the country risks associated with WHA's operations and investments in Vietnam as well as the volatile nature of the industrial property for sale market. The ratings also factor in multiple challenges stemming from economic slowdown, tight capital market, and persistently high interest rates, which could negatively affect investment sentiments.

KEY RATING CONSIDERATIONS

Robust growth in land sales

Amid heightened geopolitical tensions, WHA is well-positioned to leverage its competitiveness from strategic locations and strong ecosystems to capture growing demand and to perform strongly over the next few years.

WHA's land sales in Thailand increased substantially. The volume of land sales surged to 1,800-2,000 rai in 2022-2023 and 979 rai in the first half of 2024, compared with an average of 800 rai per year during 2017-2021. The steep rise is primarily attributed to the ongoing relocation of production bases by manufacturers from China in several industries. The major customers comprise leading electric vehicle (EV) operators, electrical appliances, and electronics companies.

Looking forward, we anticipate WHA to deliver satisfactory land sales. As of June 2024, the company had 1,810 rai of land available for sale in Thailand. Also, WHA is strategically positioned to capitalize on new business opportunities from its plentiful land banks totaling 9,200 rai in Thailand. Approximately 70% of WHAID's total land banks is located in the Eastern Economic Corridor (EEC) area. Also, WHA's well-established reputation, combined with solid fundamentals from infrastructure, utility services and green energy also draw interest from major global customers, particularly in the data center sector, that emphasize on sustainability and operational reliability.

Our base-case forecast projects WHA's land sales in Thailand, excluding land sales under the joint venture, to hover around 1,500 rai in 2024, of which 25% is derived from a sizable land plot sold to a global data center operator. Land sales are projected to hover around 1,100 rai in 2025 before normalizing at around 800 rai in 2026. Given the land sales and backlog, revenue from land transfers in Thailand is projected at about THB4.1-THB6.5 billion per year in 2024-2026. Furthermore, we project share profit from the joint venture, WHA Industrial Estate Rayong Co.,Ltd. (WHA IER) of approximately THB0.4-THB0.6 billion per year in 2024-2026.

Promising growth in Vietnam

We maintain a positive outlook for the company's business in Vietnam, driven by the country's competitive labor cost, strategic location proximity to China, and participation in numerous free trade agreements.

WHA has been granted an investment certificate to develop its first industrial estate in Nghe-An Province in northern Vietnam. The first and second phases include 2,325 rai of land available for sale. WHA's industrial land sales in Vietnam have experienced significant growth. During the past five years, the total volume of land sold was 1,281 rai, mostly to well-known Chinese electronic suppliers, and the company has numerous potential customers in the pipeline. Also, 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 of these projects to commence in 2025 and 2027, respectively.

Going forward, we expect greater contributions from the company's Vietnam operations, given the track record of successful land sales from its first industrial estate, together with promising prospects and growing foreign direct investment (FDI) in Vietnam. However, uncertainties arising from regulatory changes and the license approval process remain key issues. Under base case scenario, excluding the new industrial estates pending licenses, we project the land sales in Vietnam will reach 150-350 rai per annum in 2024-2026 with revenues from land sales of THB0.8-THB1 billion per year over the same period.

Resilient demand for rental properties expected

Apart from land sales, WHA and its subsidiary developed warehouses and factories for rent, mostly located in logistics locations and the EEC area. As of June 2024, the leased areas owned and managed by WHA totaled 2.5 million square meters (sq.m.) about 87% owned by REITs, 4% owned by its joint ventures and 8% owned by the company and its subsidiary.

We maintain a positive view on demand for warehouses and factories in coming years. The 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 THB1.8-THB2.1 billion per annum in 2024-2026.

Recurring income from utility services

WHA's strong business profile is also supported by steady growth in revenue from utility services. These services provide a recurring income that can partially offset the effect of fluctuations in land sales. WHA's revenue from utility services stood at THB2.9 billion in 2023 up from THB2.1 billion in 2018, or a compound annual growth rate of 6.4%. During the first half of 2024, revenue from utility services escalated by 4.5% year-on-year (y-o-y) to THB1.5 billion. The 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.

We anticipate the rapid growth of utility income in coming years, driven by the company's new customers, particularly in data center sector whose operations consume large amounts of water. Under our base-case forecast, we project recurring revenue from utility services to rise steadily to THB3-THB3.5 billion per annum in 2024-2026, up from THB2.9 billion in 2023.

Reliable cash flow from power business

Through its subsidiaries, WHA owns equity stakes in several power plants. At the end of June 2024, proportionate to its equity stakes in power plants, WHA had a combined power generating capacity of 682 megawatts (MW) and 250 MW in pipeline.

After experiencing a sharp decline in 2022, WHA's shared profit and dividend from the power business rebounded strongly. This was due to higher spread on the back of falling gas costs and upward adjustment in tariff for small power producer (SPP) plants. As a result, cash dividends from the power business increased to THB0.7 billion in 2023 and THB0.4 billion in the first half of 2024, up from THB0.3 billion in 2022. Going forward, investments in the power business are expected to yield dividends totaling THB0.7-THB0.9 billion per year in 2024-2026, or about 10%-12% of WHA's EBITDA.

Escalated financial leverage to pursue growth strategy

Thanks to satisfactory performance, WHA's leverage ratio has declined in recent years. WHA's net debt to EBITDA ratio was 4.8-5.1 times in 2022 through the first half of 2024, down from 7-8 times in 2018-2020.

However, we anticipate WHA's leverage to increase over the next few years as the company plans to secure several land plots both in Thailand and Vietnam. To cater for high demand in land sales and execute its expansion plan, WHA's capital expenditure (CAPEX) is projected to be THB12 billion in 2024 and THB7-THB8 billion per year during 2025-2026. The expenditures mainly involve land acquisitions and the development of new industrial estates, as well as investments in utility projects and properties for rent.

We project WHA's EBITDA to hover around THB7-THB8.5 billion per year during 2024-2026. Taking into account its substantial investment plan, WHA's net debt to EBITDA ratio is projected at around 5-6 times over the next three years, while its debt to capitalization should stay in the 50%-55% range.

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 THB5.1 billion, as well as cash and cash equivalents of THB5.6 billion at the end of June 2024. The company has undrawn credit facilities of around THB13 billion. The uses of funds are scheduled debt repayments of around THB10 billion. Additionally, WHA and its subsidiaries are able to access the capital market. It could also sell rental properties to REIT as a funding alternative. WHA plans to sell rental properties to the Industrial Leasehold Real Estate Investment Trust (WHAIR) of about THB1 billion in the last quarter of 2024.

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 company had a ratio of 1.1 times as of June 2024, well below the covenant threshold. We believe that the company should be in compliance with the financial covenant over the next 12 to 18 months.

Debt structure

As of June 2024, WHA's total interest-bearing debt, excluding lease liabilities, was THB47.4 billion. The company's priority debt was THB21.3 billion, translating to a priority debt ratio of 45%.

BASE CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for WHA's operations in 2024-2026 are as follows:

- Total operating revenue of THB12-THB15 billion per annum.
- EBITDA in the range of THB7-THB8.5 billion per annum, with an EBITDA margin of 55%-60%
- Total capital spending of THB12 billion in 2024 and THB7-THB8 billion per year in 2025-2026.

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 and/or outlook could be revised upward if WHA's competitive position has sustainably improved through stronger operating performance and greater scale in its key businesses compared with higher-rated peers and the adjusted debt to EBITDA ratio well below 5 times.

Conversely, a rating downgrade could occur if its operating performance is materially weaker than expected or if WHA makes any sizable debt-funded investments that materially weaken its balance sheet and cash flow protection.

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 2024, the company operated 12 industrial estates in Thailand with 1,810 rai of land available for sale and approximately 9,200 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, about half of which were sold during the past five years.

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 project construction to commence in 2025 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), SPP, and very small power producer (VSPP) schemes. Based on the equity holding in each project, WHA had 682 MW in power generating capacity as of June 2024 and 250 MW to be developed in pipeline.

KEY OPERATING PERFORMANCE

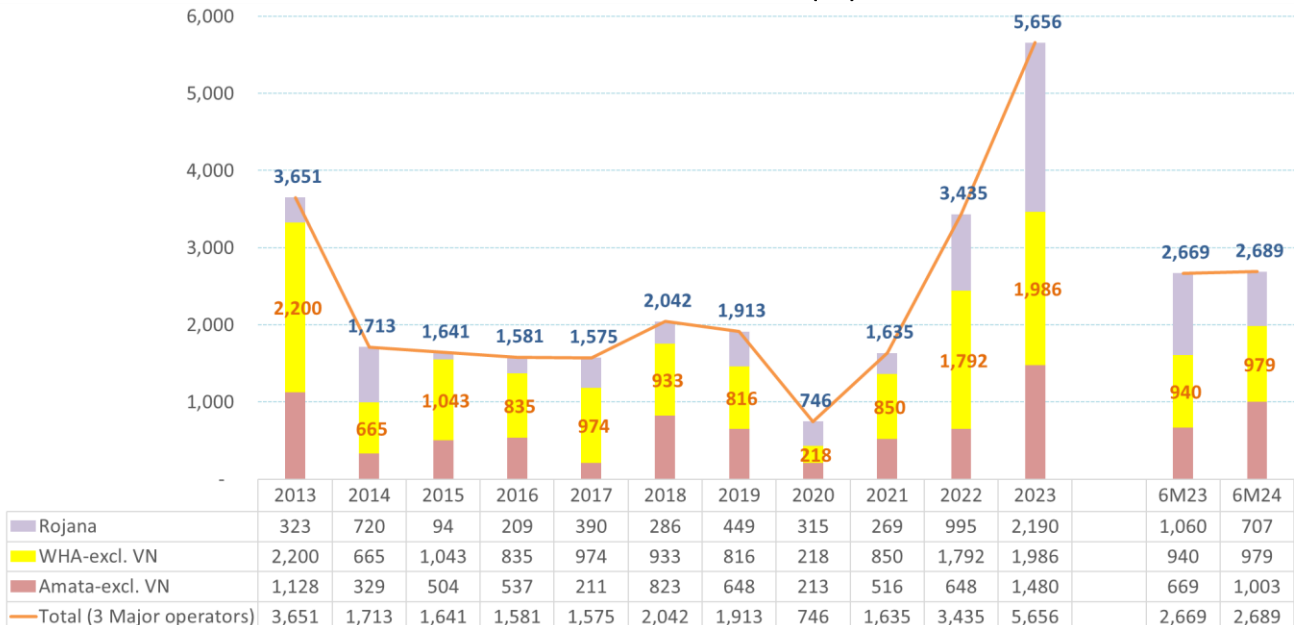
Table 1: WHA's Revenue Breakdown

Unit: %

Revenue	2019	2020	2021	2022	2023	Jan-Jun 2024
Sales						
- Industrial land	33	22	15	49	51	58
- Sales of investment properties	35	30	47	22	19	-
Total sales	68	51	63	71	70	58
Recurring income						
- Rental and services	10	19	15	11	10	15
- Utility services	22	30	23	19	19	27
Total recurring income	32	49	37	29	30	42
Total revenues	100	100	100	100	100	100
Total revenues (mil. THB)	10,463	6,914	10,417	13,729	14,875	5,602

Source: WHA

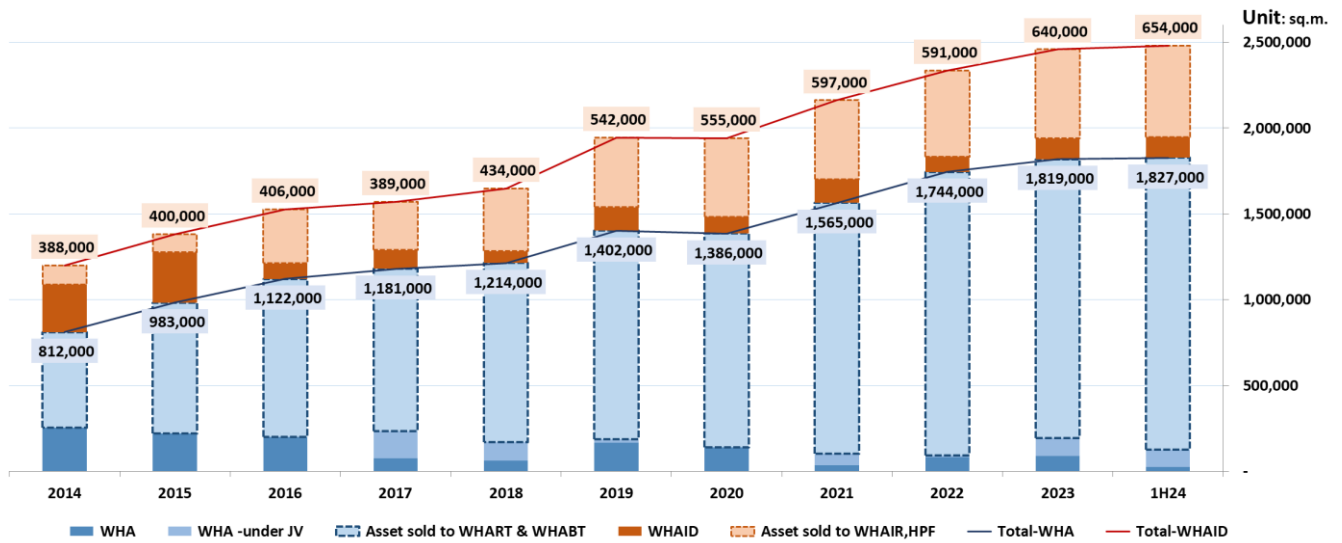
Chart 1: Industrial Land Sales in Thailand (Rai)



Note: Total Land Sales were the sum of land sales from three major operators (WHA, AMATA, and 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 J.P	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	9	33.33%	3	Q4'19
Solar Rooftop Projects	Private PPA	Solar Rooftop	100% Owned	IEs/ Logistic Center/Outside IEs	129	100.0%	129	May-18-Q2'24
Total					2,711		682	
Development Phase (Signed PPA already)								
Solar Rooftop Projects	Private PPA	Solar	100% Owned	IEs/ Logistic Center/Outside IEs	125	100.0%	125	Q3'24-Q2'25
Solar FIT (Lumina 3,5)	VSPP	Solar Farm	100% Owned	Ubonratchathani/Buriram	20	100%	20	2030
Solar FIT (Stella 1,2)	SPP	Solar Farm	GURIN	Ratchaburi/ Kanchanaburi	129	51.00%	66	2029-2030
Total					274		210	
Signing Phase (To be signed soon)								
Solar FIT (Lumina 2)	SPP+BESS	Solar Farm	100% Owned	Ubon Ratchathani	40	100.0%	40	2030
Total					40		40	

Source: WHA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	6,490	15,200	14,190	11,639	8,198
Earnings before interest and taxes (EBIT)	3,815	7,221	5,874	4,701	4,273
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4,005	7,228	6,613	6,404	5,657
Funds from operations (FFO)	3,133	5,432	5,037	4,908	4,218
Adjusted interest expense	644	1,265	1,222	1,158	1,142
Capital expenditures	1,960	3,776	3,743	2,695	3,577
Total assets	96,757	90,225	86,302	82,769	82,621
Adjusted debt	42,495	34,914	33,594	35,396	37,989
Adjusted equity	37,090	37,322	35,612	34,030	32,167
Adjusted Ratios					
EBITDA margin (%)	61.7	47.6	46.6	55.0	69.0
Pretax return on permanent capital (%)	10.6 **	9.3	7.9	6.4	5.8
EBITDA interest coverage (times)	6.2	5.7	5.4	5.5	5.0
Debt to EBITDA (times)	4.9 **	4.8	5.1	5.5	6.7
FFO to debt (%)	15.7 **	15.6	15.0	13.9	11.1
Debt to capitalization (%)	53.4	48.3	48.5	51.0	54.1

* 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

WHA Corporation PLC (WHA)

Company Rating:	A-
Issue Ratings:	
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-
WHA26NA: THB2,500 million senior unsecured debentures due 2026	A-
WHA273A: THB4,000 million senior unsecured debentures due 2027	A-
WHA279A: THB2,500 million senior unsecured debentures due 2027	A-
WHA283A: THB1,200 million senior unsecured debentures due 2028	A-
WHA293A: THB2,000 million senior unsecured debentures due 2029	A-
Rating Outlook:	Stable

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