

WHA CORPORATION PLC

No. 30/2018

19 April 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

Sasiporn Vajarodaya

sasiporn@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 proposed issue of up to Bt3,000 million in senior unsecured debentures. The proceeds from the new debentures will be used for planned capital expenditures and working capital.

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 of selling assets to real estate investment trusts (REITs).

WHA reported sharply lower revenue in 2017. Total revenue was Bt9,514 million in 2017, compared with Bt17,855 million in 2016 and Bt11,437 million in 2015. The main reason for the drop was because WHA sold fewer assets in 2017. In 2017, WHA and its subsidiary sold assets worth Bt3,079 million and booked as revenue, compared with Bt11,737 million in 2016 and Bt4,502 million in 2015. Additionally, the sizable asset sales in 2016 caused rental income to fall in 2017. After adjusting for the reduction in asset sales, revenue from land transfers grew strongly and the sale of utilities continued to rise. Revenue from land transfers rose by 32.4% year-on-year (y-o-y) to Bt3,211 million in 2017, while income from utilities increased by 3.6% y-o-y to Bt2,075 million during the same period.

The operating profit margin improved from 31.1% in 2016 to 34.8% in 2017. The increase was attributed to higher average selling price for land sales and a change in the product mix between industrial water and raw water.

The significant decrease in revenue caused earnings before interest, taxes, depreciation, and amortization (EBITDA) to decline. EBITDA fell by 22.9% y-o-y in 2017 to Bt5,396 million. Funds from operations (FFO) dropped by 8.2% y-o-y to Bt3,126 million. WHA’s capital structure improved, thanks to the successful implementation of a deleveraging plan. The ratio of total debt to capitalization improved to 54.7% as of December 2017, from 65.7% at the end of 2016. The FFO to total debt ratio also improved to 9.1% in 2017 from 8.1% 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 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

	----- Year Ended 31 December -----				
	2017	2016	2015	2014	2013
Revenue	9,514	17,855	11,437	4,888	7,085
Gross interest expense	1,621	2,452	2,303	361	239
Net income from operations	2,455	2,870	1,853	979	45
Funds from operations (FFO)	3,126	3,406	2,865	1,152	1,593
Total assets	73,619	74,784	79,066	15,952	11,049
Total debts	34,398	41,995	47,627	10,503	5,201
Shareholders' equity	28,533	21,962	21,659	4,480	4,153
Operating income before depreciation and amortization as % of sales	34.81	31.12	31.80	30.98	27.53
Pretax return on permanent capital (%)	7.71	9.59	10.53	12.31	23.03
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.33	2.85	2.26	4.64	8.49
FFO/total debt (%)	9.09	8.11	6.02	10.97	30.62
Total debt/capitalization (%)	54.66	65.66	68.78	70.10	55.60

* Consolidated financial statements

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:	
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-
Up to Bt3,000 million senior unsecured debentures due within 5 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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