

# WHA CORPORATION PLC

No. 26/2019  
1 April 2019

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Stable

**Last Review Date:** 26/09/18

### Company Rating History:

Date	Rating	Outlook/Alert
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 its outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns the rating on WHA's proposed issue of up to Bt3,500 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance outstanding debt, for planned capital expenditures, and for working capital.

The ratings reflect WHA's strong competitive position in the built-to-suit warehouse and the industrial estate segments in Thailand. WHA has a sizable base of recurring income from a number of sources, such as rental properties, utilities services, and investments in power projects. The ratings also incorporate the financial flexibility from selling assets to real estate investment trusts (REITs). However, the business profile is weighed down by the volatile nature of the industrial property market.

In 2018, WHA reported weaker revenue and profit. Total operating revenue declined by 11.5% year-on-year (y-o-y) to Bt8,688 million from fewer land transfer. The operating profit margin dropped moderately due to a reduction of revenue contribution from land sales (a high margin business). The profit margin of rental properties business also declined, as a result of a change in product mix between Built-to-Suit and Ready-built factories and warehouses.

Due to the drops in revenue and operating profit, WHA's earnings before interest, taxes, depreciation, and amortization (EBITDA) declined by 10.9% y-o-y in 2018 to Bt4,202 million. Funds from operations (FFO) slumped by 5.3% y-o-y to Bt2,682 million.

Despite the drops in revenue and profitability, leverage stayed flat. Total debt to capitalization was 51.5% at the end of December 2018, compared with 53.1% at the end of 2017. The FFO to total debt ratio was 8.1% in 2018, compared with 8.8% in 2017. Thanks to the lower-cost of new issue debenture, EBITDA interest coverage stood at 3.5 times in 2018, while that was 2.9 times in 2017.

TRIS Rating expects revenue and the operating profit margin will improve during 2019-2021 due to the high backlog of land sales. The long-term prospects for industrial estate in Thailand remain intact as a result of the nation's strategic location and good infrastructure. The development of the Eastern Economic Corridor (EEC) would also be a positive factor to propel sales.

TRIS Rating views WHA's leverage will rise because it plans to make a number of large capital expenditures. However, the company has enough financial flexibility to manage leverage overtime. In addition, proceed from asset sales to REITs could also be an option. Additionally, WHA and its subsidiaries have the ability to access external sources of fund, including bank loans and capital markets.

## RATING OUTLOOK

The "stable" outlook reflects the expectation that WHA can maintain its leading position in the warehouse segment and in the industrial property industry, and that leverage will be kept under control as the company continues its expansion.

In our base case scenario, EBITDA is forecasted to vary from Bt4.5-Bt5.5 billion

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Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

per year during 2019-2021. FFO will hover around Bt3 billion during the same period. Based on the assumptions, the FFO to total debt ratio is projected at 7%-9% during the next three years. The EBITDA interest coverage ratio should stay at about 3 times during the same period.

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**RATING SENSITIVITIES**

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The ratings of WHA could be under downward pressure if investment made by the private sector remains low, pushing revenues and cash flow from operations to fall significantly below expectations. Any sizeable, debt-funded investments, which deteriorate the balance sheet and reduce the ability to meet the existing debt obligations, would also be a negative factor for the ratings.

In contrast, the ratings could be revised upward should the company make significant, sustainable increases in cash flow and strengthen the balance sheet.

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**RELATED CRITERIA**

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- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

**WHA Corporation PLC (WHA)**

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
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-
WHA200A: Bt337.8 million senior unsecured debentures due 2020	A-
WHA214A: Bt1,900 million senior unsecured debentures due 2021	A-
WHA217A: Bt600 million senior unsecured debentures due 2021	A-
WHA219A: Bt1,500 million senior unsecured debentures due 2021	A-
WHA224A: Bt454.2 million senior unsecured debentures due 2022	A-
WHA234A: Bt1,100 million senior unsecured debentures due 2023	A-
WHA230A: Bt328 million senior unsecured debentures due 2023	A-
WHA247A: Bt280 million senior unsecured debentures due 2024	A-
WHA250A: Bt2,380 million senior unsecured debentures due 2025	A-
Up to Bt3,500 million senior unsecured debentures due within 7 years	A-
<b>Rating Outlook:</b>	Stable

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