

WHA CORPORATION PLC

No. 5/2021
28 January 2021

CORPORATES

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|------------------------|----------|
| Company Rating: | A- |
| Issue Ratings: | |
| Senior unsecured | A- |
| Outlook: | Negative |

Last Review Date: 05/10/20

Company Rating History:

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

Contacts:

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Suchana Chantadisai

suchana@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



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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 of "A-" to WHA's proposed issue of up to THB1 billion in senior unsecured debentures. The rating outlook remains "negative". WHA intends to use the proceeds from the new debentures to refinance its outstanding debt, support planned capital expenditures, or for working capital needs.

The "negative" outlook reflects the expectation that WHA's financial leverage will remain high over the next few years. The ratings continue to reflect WHA's strong competitive position and track records in the built-to-suit warehouse and the industrial estate industry. The ratings also incorporate a sizable base of recurring income from rental properties, utility services, and dividends from power generation business, as well as the financial flexibility from the ability to sell its assets to real estate investment trusts (REIT).

WHA's operating results in the first nine months of 2020 were in line with our expectations. Operating revenue declined by 42.4% year-on-year (y-o-y) to THB4.4 billion, reflecting the impacts from the COVID-19 pandemic and the severe drought in 2020.

However, WHA received higher dividends from its investments in power generation business. Dividend income increased to THB1.5 billion in the first nine months of 2020, compared with THB0.4 billion during the same period of the previous year. As a result, earnings before interest, tax, depreciation, and amortization (EBITDA) edged up by 35.3% y-o-y to Bt3.8 billion, while funds from operations (FFO) rose by 50.4% y-o-y to Bt2.8 billion.

As of September 2020, the total debt to capitalization ratio was 55.6%, while the adjusted net debt to EBITDA was 7.0 times. We expect WHA's leverage to stay high in view of several large investments lying ahead. However, we believe WHA should have enough flexibility to keep its financial leverage under control. The company has a financing option of selling assets to REITs for fundraising as opposed to borrowings. During the last quarter of 2020, WHA and its joint ventures successfully sold assets to WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) and Hemaraj Leasehold Real Estate Investment Trust (HREIT) worth approximately Bt3.6 billion and Bt1.3 billion, respectively.

RATING OUTLOOK

The “negative” outlook reflects our concerns over WHA’s increased leverage and below-our-expectation operating performance. A potential slow recovery in the demand for industrial properties coupled with the unprecedented risks induced by the COVID-19 pose significant risks to WHA’s operating performance in the medium term.

RATING SENSITIVITIES

The outlook could be revised back to “stable” if WHA is able to lower its leverage with its net debt to EBITDA ratio to stay below 7 times on a sustained basis. However, WHA’s ratings could be downgraded if the impact of the COVID-19 on WHA’s operating performance is prolonged or if the company makes any sizable debt-funded investments that further weaken its balance sheet and cash flow protection.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

WHA Corporation PLC (WHA)

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| Company Rating: | A- |
| Issue Ratings: | |
| WHA214A: THB1,900 million senior unsecured debentures due 2021 | A- |
| WHA217A: THB600 million senior unsecured debentures due 2021 | A- |
| WHA219A: THB1,500 million senior unsecured debentures due 2021 | A- |
| WHA224A: THB454.2 million senior unsecured debentures due 2022 | A- |
| WHA224B: THB2,100 million senior unsecured debentures due 2022 | A- |
| WHA226B: THB2,000 million senior unsecured debentures due 2022 | A- |
| WHA234A: THB1,100 million senior unsecured debentures due 2023 | A- |
| WHA237A: THB2,050 million senior unsecured debentures due 2023 | A- |
| WHA230A: THB328 million senior unsecured debentures due 2023 | A- |
| WHA244A: THB1,000 million senior unsecured debentures due 2024 | A- |
| WHA247A: THB280 million senior unsecured debentures due 2024 | A- |
| WHA247B: THB1,450 million senior unsecured debentures due 2024 | A- |
| WHA257A: THB500 million senior unsecured debentures due 2025 | A- |
| WHA250A: THB2,380 million senior unsecured debentures due 2025 | A- |
| WHA264A: THB400 million senior unsecured debentures due 2026 | A- |
| Up to THB1,000 million senior unsecured debentures due within 1 year | A- |
| Rating Outlook: | Negative |

TRIS Rating Co., Ltd.

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

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