

TICON RIDES JAPANESE WAVE OF INVESTMENT

Ticon Industrial Connection Plc was established in 1990 to provide manufacturers in Thailand with an alternative to buying land and developing their own facilities by providing international standard factories for lease. Virapan Pulges, director and managing director, discusses the company's strategy and outlook.

BUSINESS:

Please explain Ticon's business model?

Ticon is in the factory and warehouse rental business. Our business model is to acquire land in or around the industrial estates in Thailand, build factories or warehouses and lease them out. On the warehouse side, we normally want to acquire land near the industrial estates and highways and develop a full logistics park for our clients, and now we have several locations throughout Thailand. For funding, we initiated two property funds: TFUND and TLOGIS, to which we sell developed properties annually.

How are Ticon's takeover rates progressing this year and what does management expect going forward?

As of last month, our occupancy rates were back to pre-2008 levels at 88% occupancy for both the factories and warehouses and 95% for TFUND properties, with 100% in TLOGIS.

Can you provide a breakdown of Ticon's tenants per country and industry?

In the factory business, about half are Japanese and half in the electronics/electric industry. Interestingly, growth in new customers has skewed to Japanese companies, with 80% from that country and 60% in auto parts when historically it was about 20% auto parts

EXECUTIVE Q&A

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and 50% electronics. For the warehouse business, maybe 40% are Japanese, and the industries vary from electronics to auto parts to consumer products.

Will Ticon look to expand outside of Thailand?

We recently opened an office in China and are monitoring the situation there, but yields in China are lower than in Thailand, so we may need to see how the market develops before investing. We also have requests from our clients to expand to Vietnam and Indonesia and are looking at these opportunities, but nothing is concrete at the moment.

Why did Ticon decide to have two different property funds?

It would have been ideal to have only one property fund for liquidity purposes, but from 2008-09 the global financial crisis lowered manufacturing utilisation for both the electronics and the auto part sectors, both of which are 70% of our customers in the TFUND. This made it harder to raise capital in TFUND, so we created TLOGIS to focus more on consumer products and provide

a guaranteed yield to investors for seven years.

INDUSTRY:

What separates Ticon from its competitors, given that Hemaraj and Amata are now expanding into logistics parks and warehouses for rent?

One of the first decisions companies have to make is whether to build a factory/warehouse or rent, and if they decide to rent they have multiple choices. Ticon has been in this business for 21 years. We have our own construction workers, multiple locations and one-stop services in helping our tenants get production started as soon as possible so we can provide seasoned advice. For example, if a customer were to need a large amount of water for their business, we would recommend setting up in Ayutthaya. We also normally keep 25-30 factories available so our clients can start doing business very quickly. And we always have construction staff onsite to fix any problems right away. So because of our service, inventory and choice of location, we can keep growing.

Does Ticon see potential for future growth in Thailand? How will Ticon expand further?

Certainly we see potential growth for Thailand and expect the next four or five years will be very good. The main issue for Thailand today is the labour shortage, so while we will certainly continue to grow, the rate of growth will decline slightly for the factory business. Warehouses will offer more opportunities, as there are not many developers that have the international standards multinational companies require, and with Thailand likely to grow



Virapan: Positioned well for logistics hub

into a logistics hub for Asean, we are well positioned in this industry.

FINANCIAL:

Will Ticon continue to sell factories to TFUND or warehouses to TLOGIS?

Yes, this is necessary each year to continue growing the business. This year, we will sell a combined 2.4 billion baht to both funds.

MISCELLANEOUS:

What are the biggest risks facing your business today?

At the moment, the labour shortage in Thailand is an issue, and in the standard warehouse business if you do not have ready-built warehouses, you cannot really attract new customers. If the European crisis turns out to be like the Lehman and AIG financial crisis in 2008 and creates a domino effect where businesses do not have the cash flow to continue operating, then our outlook will be similar to 2008, the only year in Ticon's history without growth.

Where do you see Ticon in five years?

Five years from now, our warehouse business will probably be larger in terms of total asset percentage. Our core business will remain the same, and we hope to have assets in regional countries.

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