

Singapore Company Guide

Wilmar International

Version 20 | Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 Aug 2019

BUY

Last Traded Price (14 Aug 2019): S\$3.86 (STI : 3,147.60)

Price Target 12-mth: S\$4.25 (10% upside) (Prev S\$4.30)

Analyst

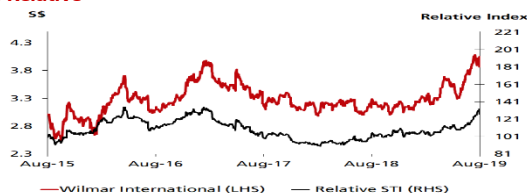
William Simadiputra +62 2130034939 williamsima@db.com

Rui Wen LIM +65 66823720 ruiwenlim@db.com

What's New

- Aiming for earnings recovery in 2H19
- Oilseeds and grains performance could recover even with the prolonged African swine fever outbreak
- YKA's IPO valuation will determine Wilmar's share price re-rating prospects ahead
- Maintain BUY with slightly lower TP of S\$4.25

Price Relative



Forecasts and Valuation

FY Dec (US\$ m)	2018A	2019F	2020F	2021F
Revenue	44,498	37,699	39,298	41,884
EBITDA	2,937	2,525	2,826	2,809
Pre-tax Profit	1,574	1,417	1,632	1,564
Net Profit	1,128	1,049	1,207	1,153
Net Pft (Pre Ex.)	1,308	1,049	1,207	1,153
Net Pft (ex. BA gains)	1,150	1,049	1,207	1,153
Net Pft Gth (Pre-ex) (%)	30.5	(19.8)	15.1	(4.5)
EPS (S cts)	24.4	22.7	26.1	24.9
EPS Pre Ex. (S cts)	28.2	22.7	26.1	24.9
EPS Gth Pre Ex (%)	31	(20)	15	(5)
Diluted EPS (S cts)	24.4	22.7	26.1	24.9
Net DPS (S cts)	9.5	8.9	10.2	9.8
BV Per Share (S cts)	346.7	355.0	369.2	384.0
PE (X)	15.8	17.0	14.8	15.5
PE Pre Ex. (X)	13.7	17.0	14.8	15.5
P/Cash Flow (X)	11.9	3.8	14.1	20.1
EV/EBITDA (X)	12.5	13.5	12.2	12.4
Net Div Yield (%)	2.5	2.3	2.6	2.5
P/Book Value (X)	1.1	1.1	1.0	1.0
Net Debt/Equity (X)	1.1	0.9	0.9	0.9
ROAE (%)	7.0	6.5	7.2	6.6
Earnings Rev (%):		(10)	(3)	0
Consensus EPS (S cts):		27.9	30.7	32.4
Other Broker Recs:		B: 11	S: 2	H: 5

Source of all data on this page: Company, DBSVI, DBS Bank, Bloomberg Finance L.P.

Aiming for recovery in 2H19

Staying profitable in the current environment. Wilmar's profit before tax (PBT) tumbled to US\$193.7m (-54% y-o-y, -41% q-o-q) followed by core net profit of US\$177m (-50% y-o-y, -29% q-o-q), below our and consensus estimates. Overall 2Q19 performance was driven by the weaker-than-expected oilseeds and grains, and sugar division performance, while tropical oil division was relatively stable q-o-q. We revised down our 2019 earnings forecasts by 10% to account for 2Q19 weakness and expect performance to recover in 2H19, driven by better oilseeds and grains earnings performance.

Where we differ: Wilmar is still bigger than what we know today. As more information is revealed on its China operations, the more we are convinced that Wilmar is bigger than what the market perceives today. As the market leader in each segment, we believe Wilmar's presence has become difficult to be replicated by its competitors in each region, and this provides a solid footing to further grow its market share and earnings ahead. Also, Wilmar is heading towards a steadier earnings profile business model via the higher contribution from the consumer branded products.

Catalyst from listing of China operations. Possible IPO plans (A-share listing) for its China operations could further catalyse its share price.

Valuation:

We apply sum-of-the-parts (SOTP) valuation methodology and derive a slightly lower target price of S\$4.25, which implies FY20F PE of 16.3x.

Key Risks to Our View:

CPO and soybean prices. Wilmar's share price is influenced by palm oil refining/soybean crushing margins on top of crude palm oil (CPO) and sugar price expectations.

At A Glance

Issued Capital (m shrs)	6,333
Mkt. Cap (S\$m/US\$m)	24,446 / 17,671
Major Shareholders (%)	
Archer-Daniels-Midland Co	24.9
Kuok Brothers Sdn Bhd	18.5
Longlin Asia Ltd / Singapore	5.4
Free Float (%)	45.9
3m Avg. Daily Val (US\$m)	16.3

ICB Industry : Consumer Goods / Plantation

Bloomberg ESG disclosure score (2017) [^]	31.0
- Environmental / Social / Governance	17.1 / 31.6 / 62.5

[^] refer to back page for more information



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WHAT'S NEW

Aiming for recovery in 2H19

2Q19: Below expectation – African swine fever hit oilseeds & grains division

Wilmar's profit before tax (PBT) tumbled to US\$193.7m (-54% y-o-y, -41% q-o-q) followed by core net profit of US\$177m (-50% y-o-y, -29% q-o-q) below our and consensus' estimates. Overall 2Q19 performance was driven by the weaker-than-expected oilseeds and grains manufacturing, and sugar division performance, while tropical oil division was relatively stable q-o-q.

Tropical Oils division: Steady q-o-q, low palm oil prices helped margin performance

Tropical Oil division's top line dropped by only 1% q-o-q to US\$3.8bn (-12% y-o-y). The top-line trend was tracking the palm oil price performance which affects the derivatives product pricing. However, the lower palm oil price environment also helped Wilmar to maximise its profitability which was seen in its PBT of US\$177m (+15% y-o-y, -4% q-o-q), accounting for 91% of 2Q19 PBT amid the weaker-than-expected performance in other segments.

Oilseeds & Grains: Still affected by the African swine fever

The division PBT reached only US\$59m (-80% y-o-y, -35% q-o-q) due to the absence of high volume and crush margin experienced last year, and also the African swine fever outbreak, which delayed the recovery of this segment.

Sugar: Back in the red on Shree Renuka Sugars consolidation

Sugar swung back to negative territory with a loss before tax of US\$69.4m (2Q18: US\$-46.2m, 1Q19: US\$1.7m), due to the consolidation of Shree Renuka Sugars Limited which became a subsidiary in June 2018. However, the Australian and Indonesian units performed well.

Joint ventures and associates

"Others" segment's pretax profit shrunk to US\$6.9m (2Q18: US\$26.3m losses) due to positive contribution from Shipping and Fertilizers business, sending the 1H19 PBT for this segment to US\$42.6m (1H19: US\$9.8m). Meanwhile, JV and associates contribution reached US\$22m (-56% y-o-y, +5% q-o-q), due to still weak China associates.

Balance sheet: Gearing ratio maintained in 2Q19. Ending cash & cash equivalents were higher at US\$4.2bn (1Q19: US\$4.1bn) while 1H19 net debts were relatively stable at US\$12.4bn (4Q18: US\$13.5bn). This translates into reported net gearing ratio of 0.77x (FY18: 0.84x). Including liquid working capital, net gearing ratio would have been 0.35x (FY18: 0.34x).

Outlook: Key interesting point from today's briefing

During the 2Q19 results briefing, management shared regarding the company's prospects and addressed investors' concerns on the company/share price. The most important point in our view, is that the management believes Wilmar's crushing business and other business would perform better in 2H19.

Capital expenditure to bring lucrative long-term returns

Wilmar's capital investments, mainly in Asia and Africa, will bring more revenue and profit to the company. Wilmar sees food as being the biggest industry and best play in the region, with exposure to 4.5 billion people, and vast economic growth.

Moreover, the increasing consumer branded goods such as Oleochemical, rice and flour will help to smoothen earnings volatility going forward vs. the current exposure to commodities price volatility, such as palm oil.

African swine fever impact on China's soybean meal demand may take several years to eradicate, although China's lower hog production will be partially offset by strong growth in the poultry sector. Meanwhile, the US-China trade war has not impacted Chinese domestic consumption of food and in fact, the demand for better quality food continues to grow.

Earnings revision: Still expecting performance to recover in 2H19, despite our lower 2019 earnings forecast

Our earnings revision is premised on expectations for earnings performance recovery in 2H19, premised on stable performance of tropical oil segment as we expect palm oil price to stay at US\$500 per MT in 2H19, and only recover to US\$543 per MT in 2020., followed management capability to execute better earnings performance in both Sugar and Oilseeds & Grains division, reflected by profitability recovery for expectation, and higher contribution in 2H of the year. All in, we cut our FY19 earnings forecast by 9% to US\$1,049m (-19.8% y-o-y) before bouncing back to US\$1,207m (+15.1% y-o-y).

Our earnings forecasts are below the consensus at this moment as we have cut the figures after 2Q19 briefing although management is relatively upbeat on Wilmar's 2H19 performance recovery.

Assume neutral impact on lower commodity price assumptions

We believe Wilmar's business model is set to place a profitability cushion amid current low commodity prices. The company's strong tropical oils business division should be able

to sustain its profitability this year. The contribution would mainly be from its refining/consumer branded cooking oil segment, as palm oil price has limited room to recover due to stagnated soybean price following the correction in 2Q19. Meanwhile, we expect the soy crushing business margin in China to still be affected by the current African swine fever epidemic which hinders volume expansion, although the pressure on margins would be partially offset by lower input cost.

Where we are right now: Market is looking for positive profitability performance and upcoming listing of China operations

The company's share price has performed well year-to-date as the market is gradually convinced that WIL's performance is able to withstand headwinds arising from the trade war. The market also expects the China A-share listing to help Wilmar's valuation, which is still largely in line with its commodity peers. A higher valuation multiple can be justified with a higher contribution from its consumer branded products division. We estimate that more than 20% of its profit before tax was already derived from the consumer branded products in 2018.

Rating and target price: Lower TP of S\$4.25, mainly due to lower earnings forecast

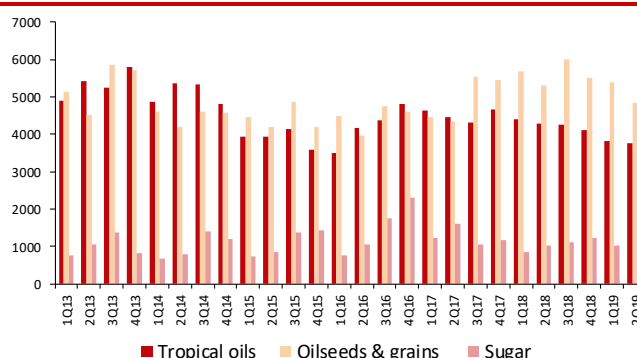
We lowered our target price to S\$4.25 per share, which arose from our lower 2020 earnings forecast, but partially mitigated by slightly higher multiple assumption for tropical oil division in our sum of the parts (SOTP) valuation. In anticipation of the China operations' listing, we switched our valuation methodology to SOTP, which we believe better reflects the business.

We employ a different PE multiple for each business division in our valuation for Wilmar. The key changes from previous assumption are: slightly higher multiple of 12.5x PE for tropical oil seeds and grains' 2020 estimated earnings from 11x previously, given its good earnings performance year to date. Tropical oil division performance year to date has detached itself from dependency on palm oil price rally to perform well, given its exposure to palm oil downstream products such as oleochemicals.

We maintained our multiple of 18x assumption for oilseeds and grains manufacturing business, considering its size in China and emerging branded consumer product division. Consumer branded goods currently account for approximately 40-50% of YKA's earnings. Meanwhile, we still apply a 11x PE multiple for its sugar business, granting its volatility trend in the past.

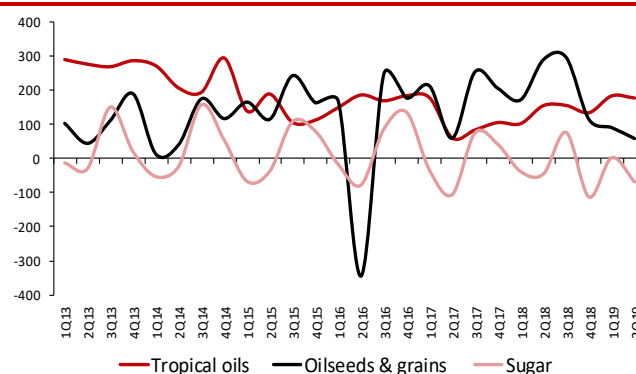
Besides its quarterly earnings, the key factor for share price performance is Wilmar's capability to list YKA at a valuation multiple above Wilmar's current multiple. Hence, the IPO will only lift Wilmar's share price if it lists YKA at 18x plus. This is possible given that the ChiNext market average P/E multiple is 40.4x.

Quarterly top-line trend



Source: Company, DBSVI, DBS Bank

Quarterly profit before tax trend



Source: Company, DBSVI, DBS Bank

Quarterly / Interim Income Statement (US\$m)

FY Dec	2Q2018	1Q2019	2Q2019	% chg yoy	% chg qoq
Revenue	10,798	10,444	9,782	(9.4)	(6.3)
Cost of Goods Sold	(9,694)	(9,433)	(8,872)	(8.5)	(5.9)
Gross Profit	1,103	1,011	910	(17.5)	(10.0)
Other Oper. (Exp)/Inc	(623)	(620)	(617)	(1.0)	(0.5)
Operating Profit	480	391	293	(38.9)	(25.0)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	49.6	20.9	21.9	(55.8)	4.7
Net Interest (Exp)/Inc	(75.9)	(108)	(121)	(59.9)	(12.5)
Exceptional Gain/(Loss)	(33.9)	0.52	(33.8)	0.2	nm
Pre-tax Profit	420	305	160	(61.9)	(47.5)
Tax	(74.9)	(42.5)	(19.9)	(73.5)	(53.2)
Minority Interest	(28.4)	(5.2)	(12.2)	56.9	133.8
Net Profit	316	257	128	(59.6)	(50.3)
Net profit bef Except.	350	256	162	(53.9)	(37.0)
EBITDA	726	614	556	(23.4)	(9.5)
Margins (%)					
Gross Margins	10.2	9.7	9.3		
Opg Profit Margins	4.4	3.7	3.0		
Net Profit Margins	2.9	2.5	1.3		

Source of all data: Company, DBSVI, DBS Bank

Sum of Parts (SOTP) valuation summary

Divisions	NPAT FY20F Estimates (US\$m)	EPS (US\$)	FY20 PE (X)	Value (US\$)	Value (\$)
Tropical oils	418.1	0.07	12.5	0.826	1.156
Oilseeds & grains	629.1	0.10	18.0	1.790	2.506
Sugar/others	241.5	0.04	11.0	0.420	0.588
Minority interest	82.0				
Total	1,206.7			3.04	4.25

Source : DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

CPO and soybean prices. Approximately 20% of its EBIT comes from sales of CPO and Palm Kernel. Movements in CPO prices hence directly affect the profit of the group's Plantation segment. As one of the largest processors of both CPO and soybeans globally, the group holds varying amounts of inventories. Generally, changes in commodity prices would also affect the group's Consumer segment with some lag.

Capacity utilisation and volume output. Wilmar constantly assesses its capacity utilisation. Changes in soybean exports to China by competitors and soybean prices may prompt Wilmar to adjust its crushing volumes as well as margins.

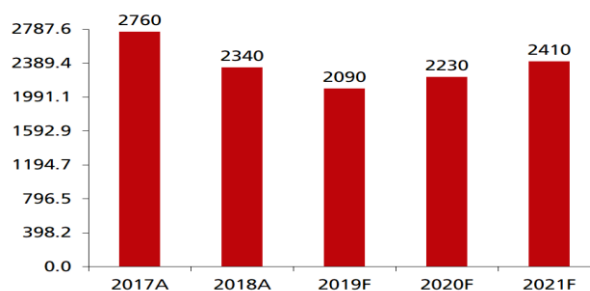
Weather and supply-chain congestion. A worse-than-expected drop in FFB yield would adversely impact our forecast for this year, due to the continued dry weather in some parts of Malaysia and Indonesia. Wilmar constantly monitors its supply chain to avoid delays in deliveries to customers.

Changes in export tax policy. A prospective increase in biodiesel production in Indonesia may cause an oversupply and lower the price of glycerin (by-product of biodiesel output) in Wilmar's Oleo chemical unit – although this makes up only a small share of the group's downstream operations. Zero export taxes instituted for much of CY15 in both Malaysia and Indonesia had an adverse impact on palm oil refining margins. Changes in tax policy should therefore have a direct impact on Wilmar's refining profits.

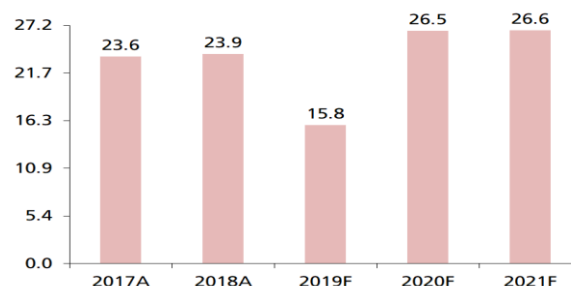
Movement in crude oil prices. Global demand for both ethanol and biodiesel is subject to certain crude oil price thresholds. Below this level, demand for both products would be adversely affected, and would influence sugarcane, corn and palm oil prices. Wilmar's sugar milling segment is exposed to volatility in sugar prices if left unhedged.

Geographic exposure. Wilmar's consolidated revenue is globally distributed, with China contributing over 50% in FY17. Southeast Asia accounted for 20%, while Europe contributed 6% of revenue. This means that currency movements in China and Southeast Asia would affect Wilmar's earnings. Prospective economic recovery in these markets should also improve Wilmar's earnings outlook. Yet, we should also note that competing processors are also vying for the same markets - which would make recoveries not unique to Wilmar. The group also requires a significant amount of working capital, which would affect its borrowing cost.

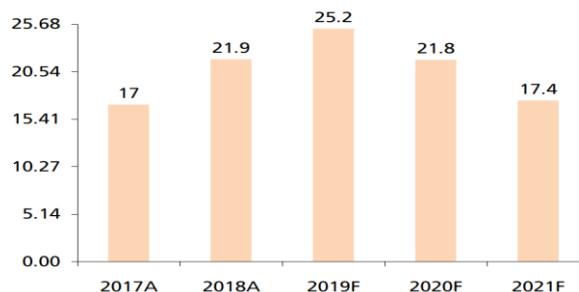
CPO price (RM/MT)



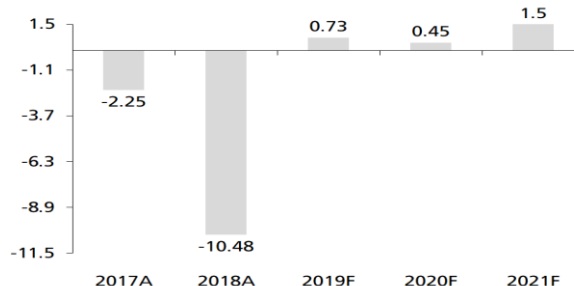
Oilseeds & grains pretax (US\$/MT)



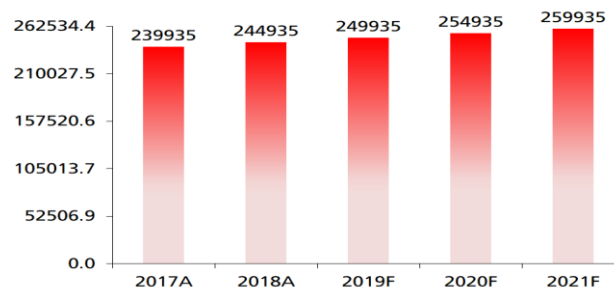
Tropical oils pretax (US\$/MT)



Sugar pretax (US\$/MT)



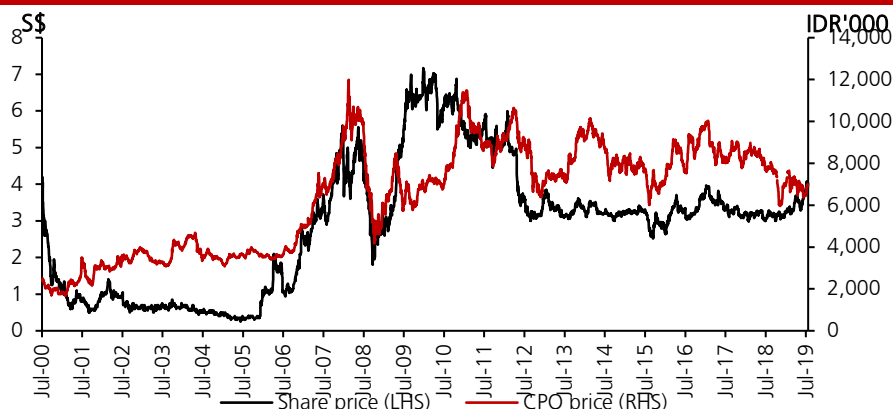
Oil palm planted area (Ha)



Source: Company, DBSVI, DBS Bank

Appendix 1: A look at Company's listed history – what drives its share price?

CPO prices (in IDR) as a critical factor

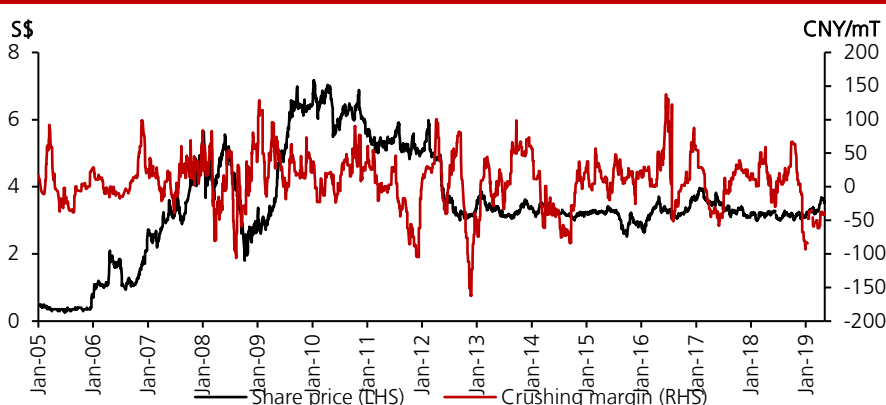


Remarks

Palm oil price is the key catalyst for plantation stocks; the share price movement trend generally tracks the palm oil spot price. However, the outperformance and underperformance of plantation stocks to CPO prices are dictated by the productivity factor, where stronger- or weaker-than-expected yields have dictated its share price sensitivity to palm oil price.

Share price correlation with CPO prices over the last 16 years is ~76%, the highest among SGX-listed plantation stocks.

Soy crushing margin vs. Share price performance

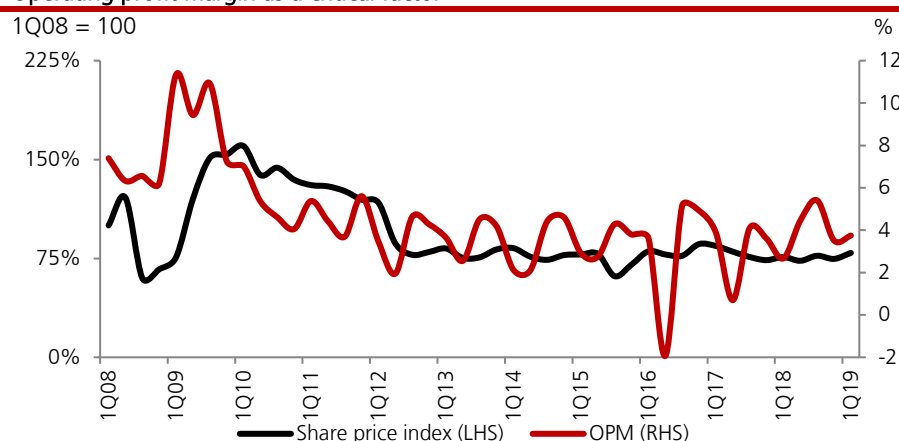


Remarks

While historically, spot margin calculations had no direct correlation with Wilmar's Oilseeds & Grains pretax margins, soy crushing margin had a correlation of ~67% with Wilmar's share price from Jan – Jun 2017. Thereafter, the relationship broke down with improving soy crushing margins.

Wilmar's hedging strategy offers some protection to its consolidated profitability (see chart below), with only 1Q16 consolidated pre-tax losses since 2008.

Operating profit margin as a critical factor



Remarks

Wilmar's share price direction generally tracks that of its operating profit margin (OPM), with the exception of 2Q16 where Wilmar recorded one-off significant realised mark-to-market losses in its short positions.

Source : Bloomberg Finance L.P, Company, DBSVI, DBS Bank

Balance Sheet:

Decent balance sheet. Adjusting for liquid working capital, the group's net debt-to-total equity ratio was 84% as at end-December 2018. We forecast FY19 EBITDA/interest ratio at 8.9x, while FY19 current ratio is forecast at 1.2x.

Value creation on progress. We expect the group to earn an ROE-WACC spread of 1.0% in FY19F/20F versus a negative figure in the last two years. With capex outlay of c.US\$1.0-1.4bn p.a. in FY19F-20F, we expect Wilmar to continue to generate positive free cash flows.

Share Price Drivers:

Rising contribution from Consumer and JV may address concerns over exposure to commodity prices. We believe the market has already priced in the group's performance in the last two years. Any visible improvements in its Consumer division (i.e. rice & flour milling) and/or JV contribution from Goodman Fielder would boost its share price.

Key Risks:

Volatility in CPO prices and USD exchange rates. Continued strength in CPO prices may deliver better-than-expected earnings, while lower energy prices from expansion of US shale gas would have an adverse impact on demand for vegetable oils for biofuels. Likewise, volatility in USD would affect profitability of planters in general.

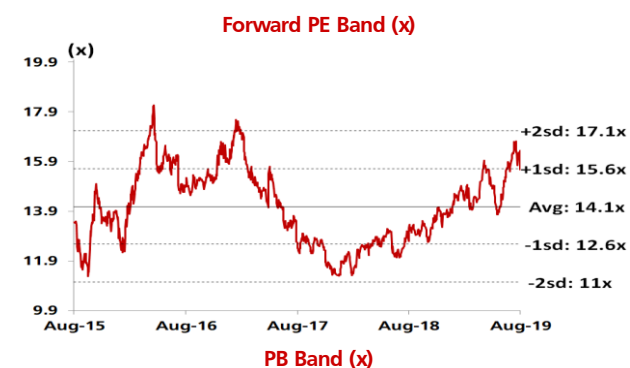
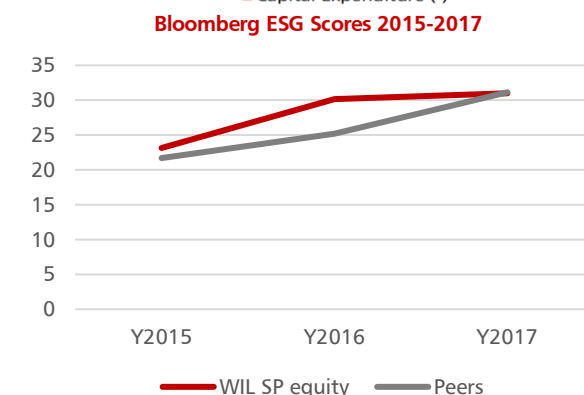
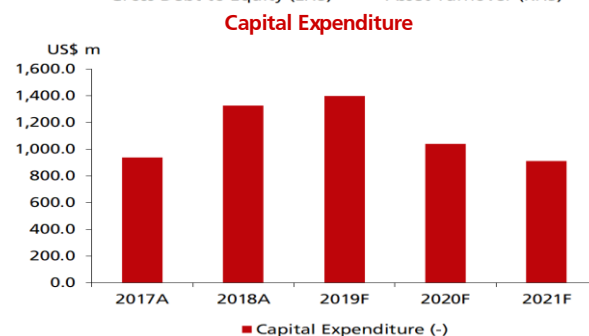
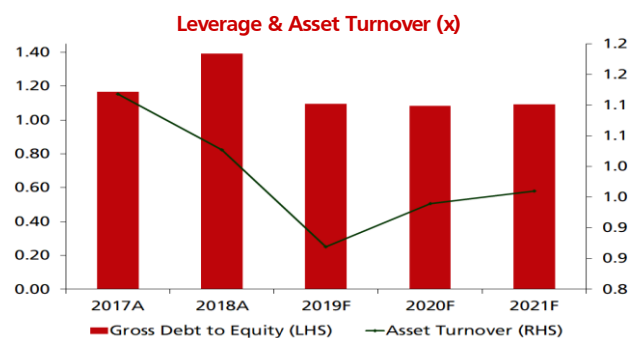
Regulatory changes. Any further increases in Indian import duty of refined oils or changes in the structure of Indonesian/Malaysian export taxes would impact demand for CPO/refined oils.

Environment, Social, Governance:

Wilmar's recorded good ESG scores in 2015-2017 which were largely in line with its peers. This resulted from the management's awareness on the quality of governance and sustainability of the business.

Company Background

Wilmar International (Wilmar) is an integrated agribusiness company. It is involved in oil palm cultivation, edible oil refining, oilseed crushing, consumer pack edible oil processing and merchandising, specialty fats, oleochemical and biodiesel manufacturing, and grain processing and merchandising. Wilmar also manufactures and distributes fertilisers and owns a fleet of vessels.



Source: Company, DBSVI, DBS Bank

Key Assumptions

FY Dec	2017A	2018A	2019F	2020F	2021F
CPO price (RM/MT)	2,760	2,340	2,090	2,230	2,410
Oilseeds & grains pretax	23.6	23.9	15.8	26.5	26.6
Tropical oils pretax	17.0	21.9	25.2	21.8	17.4
Sugar pretax (US\$/MT)	(2.25)	(10.48)	0.73	0.45	1.50
Oil palm planted area	239,935	244,935	249,935	254,935	259,935

Segmental Breakdown

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenues (US\$ m)					
Tropical oils	18,067	16,766	15,350	16,239	17,027
Oilseeds & grains	19,806	23,035	18,709	19,211	20,545
Sugar	4,818	3,585	4,033	4,240	4,731
Others	2,120	2,297	2,155	2,260	2,371
Elimination	(1,238)	(1,185)	(2,549)	(2,652)	(2,789)
Total	43,574	44,498	37,699	39,298	41,884
Pretax (US\$ m)					
Tropical oils	426	547	623	537	426
Oilseeds & grains	735	875	478	808	877
Sugar	(25)	(123)	9	6	20
Others	242	20	14	13	14
Unallocated costs	184	255	294	267	226
Total	1,563	1,574	1,417	1,632	1,564
Pretax Margins (%)					
Tropical oils	2.4	3.3	4.1	3.3	2.5
Oilseeds & grains	3.7	3.8	2.6	4.2	4.3
Sugar	(0.5)	(3.4)	0.2	0.1	0.4
Others	11.4	0.9	0.6	0.6	0.6
Total	3.6	3.5	3.8	4.2	3.7

Income Statement (US\$ m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	43,574	44,498	37,699	39,298	41,884
Cost of Goods Sold	(39,807)	(40,103)	(34,178)	(35,401)	(37,860)
Gross Profit	3,767	4,395	3,521	3,897	4,024
Other Opng (Exp)/Inc	(2,374)	(2,599)	(2,148)	(2,238)	(2,389)
Operating Profit	1,393	1,795	1,372	1,659	1,636
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	228	310	325	304	262
Net Interest (Exp)/Inc	(253)	(352)	(280)	(331)	(333)
Exceptional Gain/(Loss)	194	(180)	0	0	0
Pre-tax Profit	1,563	1,574	1,417	1,632	1,564
Tax	(282)	(350)	(300)	(345)	(331)
Minority Interest	(85)	(96)	(69)	(79)	(81)
Preference Dividend	0	0	0	0	0
Net Profit	1,196	1,128	1,049	1,207	1,153
Net Profit before Except.	1,002	1,308	1,049	1,207	1,153
Net Pft (ex. BA gains)	1,203	1,150	1,049	1,207	1,153
EBITDA	2,397	2,937	2,525	2,826	2,809
Growth					
Revenue Gth (%)	5.2	2.1	(15.3)	4.2	6.6
EBITDA Gth (%)	10.8	22.6	(14.0)	11.9	(0.6)
Opg Profit Gth (%)	6.7	28.9	(23.6)	20.9	(1.4)
Net Profit Gth (%)	23.0	(5.7)	(7.0)	15.1	(4.5)
Margins & Ratio					
Gross Margins (%)	8.6	9.9	9.3	9.9	9.6
Opg Profit Margin (%)	3.2	4.0	3.6	4.2	3.9
Net Profit Margin (%)	2.7	2.5	2.8	3.1	2.8
ROAE (%)	7.9	7.0	6.5	7.2	6.6
ROA (%)	3.1	2.6	2.4	2.9	2.6
ROCE (%)	3.2	3.6	2.8	3.5	3.3
Div Payout Ratio (%)	39.2	39.2	39.2	39.2	39.2
Net Interest Cover (x)	5.5	5.1	4.9	5.0	4.9

Source: Company, DBSVI, DBS Bank

Quarterly / Interim Income Statement (US\$ m)

FY Dec	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
Revenue	10,798	11,606	11,100	10,444	9,782
Cost of Goods Sold	(9,694)	(10,248)	(10,125)	(9,433)	(8,872)
Gross Profit	1,103	1,358	975	1,011	910
Other Oper. (Exp)/Inc	(623)	(730)	(585)	(620)	(617)
Operating Profit	480	627	390	391	293
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	50	66	153	21	22
Net Interest (Exp)/Inc	(76)	(114)	(110)	(108)	(121)
Exceptional Gain/(Loss)	(34)	(41)	(126)	1	(34)
Pre-tax Profit	420	538	307	305	160
Tax	(75)	(134)	(67)	(42)	(20)
Minority Interest	(28)	3	(39)	(5)	(12)
Net Profit	316	407	201	257	128
Net profit bef Except.	351	450	328	257	162
EBITDA	726	894	787	614	556

Growth

Revenue Gth (%)	(3.1)	7.5	(4.4)	(5.9)	(6.3)
EBITDA Gth (%)	36.8	23.2	(12.0)	(21.9)	(9.5)
Opg Profit Gth (%)	61.0	30.7	(37.8)	0.3	(25.0)
Net Profit Gth (%)	55.6	28.8	(50.7)	27.9	(50.3)

Margins

Gross Margins (%)	10.2	11.7	8.8	9.7	9.3
Opg Profit Margins (%)	4.4	5.4	3.5	3.7	3.0
Net Profit Margins (%)	2.9	3.5	1.8	2.5	1.3

Balance Sheet (US\$ m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	8,756	9,310	9,851	9,956	9,889
Invt in Associates & JVs	3,428	3,715	4,040	4,344	4,606
Other LT Assets	6,169	6,375	6,415	6,497	6,581
Cash & ST Invt	4,532	5,163	3,448	3,838	4,436
Inventory	8,224	7,911	6,876	7,122	7,616
Debtors	9,456	11,867	9,032	9,416	10,035
Other Current Assets	368	1,339	1,380	1,422	1,467
Total Assets	40,933	45,680	41,042	42,595	44,630
ST Debt	16,130	17,821	14,382	14,992	15,979
Creditor	2,893	3,346	2,659	2,754	2,945
Other Current Liab	663	1,648	1,699	1,781	1,840
LT Debt	3,696	5,523	4,480	4,480	4,480
Other LT Liabilities	564	574	603	633	665
Shareholder's Equity	15,964	16,049	16,433	17,089	17,775
Minority Interests	1,022	718	787	866	946
Put Equity Reserve	N/A	N/A	N/A	N/A	N/A
Total Cap. & Liab.	40,933	45,680	41,042	42,595	44,630
Non-Cash Wkg. Capital	14,491	16,123	12,930	13,425	14,333
Net Cash/(Debt)	(15,295)	(18,182)	(15,414)	(15,634)	(16,023)
Debtors Turn (avg days)	66.6	87.5	101.2	85.7	84.8
Creditors Turn (avg days)	29.5	29.0	32.9	28.6	28.1
Inventory Turn (avg days)	71.3	75.0	80.9	74.0	72.8
Asset Turnover (x)	1.1	1.0	0.9	0.9	1.0
Current Ratio (x)	1.1	1.2	1.1	1.1	1.1
Quick Ratio (x)	0.7	0.7	0.7	0.7	0.7
Net Debt/Equity (X)	0.9	1.1	0.9	0.9	0.9
Net Debt/Equity ex MI (X)	1.0	1.1	0.9	0.9	0.9
Capex to Debt (%)	4.7	5.7	7.4	5.3	4.4
Z-Score (X)	2.0	1.9	2.0	2.0	2.0

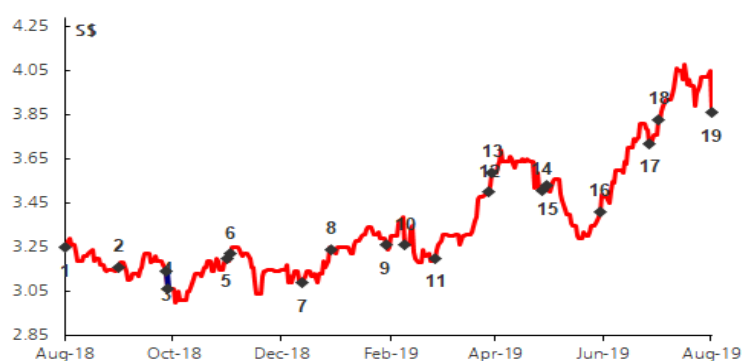
Source: Company, DBSVI, DBS Bank

Cash Flow Statement (US\$ m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	1,563	1,574	1,417	1,632	1,564
Dep. & Amort.	775	831	827	863	911
Tax Paid	(286)	(388)	(300)	(345)	(331)
Assoc. & JV Inc/(loss)	(228)	(310)	(325)	(304)	(262)
Chg in Wkg.Cap.	(1,728)	145	3,183	(534)	(923)
Other Operating CF	208	(351)	(66)	(40)	(69)
Net Operating CF	303	1,501	4,736	1,271	890
Capital Exp.(net)	(938)	(1,325)	(1,399)	(1,038)	(910)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	84	(44)	(83)	(89)	(99)
Net Investing CF	(854)	(1,370)	(1,482)	(1,127)	(1,009)
Div Paid	(320)	(495)	(664)	(552)	(467)
Chg in Gross Debt	3,167	819	(4,483)	610	986
Capital Issues	22	3	0	0	0
Other Financing CF	(3,268)	(46)	88	92	97
Net Financing CF	(399)	281	(5,059)	151	617
Currency Adjustments	0	0	0	0	0
Chg in Cash	(949)	412	(1,804)	296	499
Opg CFPS (S cts)	31.7	21.2	24.3	28.2	28.3
Free CFPS (S cts)	(9.9)	2.7	52.1	3.6	(0.3)

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	14 Aug 18	3.25	3.61	BUY
2:	13 Sep 18	3.16	3.61	BUY
3:	10 Oct 18	3.14	3.59	BUY
4:	11 Oct 18	3.06	3.59	BUY
5:	13 Nov 18	3.20	3.59	BUY
6:	15 Nov 18	3.22	3.59	BUY
7:	26 Dec 18	3.09	3.59	BUY
8:	11 Jan 19	3.24	3.59	BUY
9:	11 Feb 19	3.26	3.59	BUY
10:	22 Feb 19	3.26	3.60	BUY
11:	11 Mar 19	3.20	3.60	BUY
12:	10 Apr 19	3.50	3.60	BUY
13:	12 Apr 19	3.59	3.60	BUY
14:	10 May 19	3.51	3.60	BUY
15:	13 May 19	3.53	3.86	BUY
16:	12 Jun 19	3.41	3.86	BUY
17:	10 Jul 19	3.72	4.30	BUY
18:	15 Jul 19	3.83	4.30	BUY
19:	14 Aug 19	3.86	4.30	BUY

Source: DBSVI, DBS Bank

Analyst: William Simadiputra
Rui Wen LIM

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

* Share price appreciation + dividends

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DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel: 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E