

# Singapore Company Guide

# Wilmar International

Version 26 | Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 May 2020

## BUY

Last Traded Price ( 11 May 2020): S\$3.54 (STI : 2,611.31)

Price Target 12-mth: S\$4.00 (13% upside)

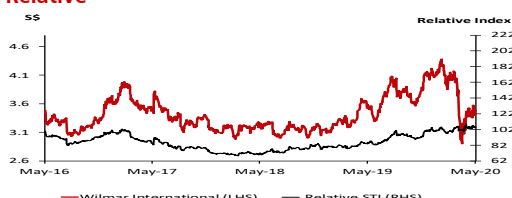
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### What's New

- 1Q20 core earnings beat our expectation, in line with consensus
- China's consumer products and tropical oil downstream segment led the performance
- Listing of China operations expected to obtain approval in 2H20
- Maintain BUY with TP of S\$4.00 (unchanged)

### Price Relative



### Forecasts and Valuation

FY Dec (US\$ m)	2018A	2019A	2020F	2021F
Revenue	44,498	42,641	40,927	43,901
EBITDA	2,933	2,978	2,590	2,817
Pre-tax Profit	1,569	1,742	1,454	1,473
Net Profit	1,124	1,293	1,083	1,090
Net Pft (Pre Ex.)	1,304	1,235	1,083	1,090
Net Pft (ex. BA gains)	1,145	1,273	1,083	1,090
Net Pft Gth (Pre-ex) (%)	30.1	(5.3)	(12.3)	0.7
EPS (S cts)	24.9	28.6	24.0	24.1
EPS Pre Ex. (S cts)	28.8	27.3	24.0	24.1
EPS Gth Pre Ex (%)	30	(5)	(12)	1
Diluted EPS (S cts)	24.9	28.6	24.0	24.1
Net DPS (S cts)	10.8	12.9	10.8	10.9
BV Per Share (S cts)	355.1	371.0	382.7	396.0
PE (X)	14.2	12.4	14.8	14.7
PE Pre Ex. (X)	12.3	13.0	14.8	14.7
P/Cash Flow (X)	10.7	4.8	16.9	25.3
EV/EBITDA (X)	11.9	11.8	13.8	13.0
Net Div Yield (%)	3.1	3.6	3.0	3.1
P/Book Value (X)	1.0	1.0	0.9	0.9
Net Debt/Equity (X)	1.1	1.0	1.0	1.0
ROAE (%)	7.0	7.9	6.4	6.2
Earnings Rev (%)			0	0
Consensus EPS (S cts):			26.8	29.9
Other Broker Recs:	B: 11	S: 2	H: 3	

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

## Consumer products leading the way

1Q20 core earnings ahead of our estimate – in line with consensus. Wilmar's reported core earnings reached US\$306m (+22.5% y-o-y, -25% q-o-q ahead our estimate, in line with consensus). The strong 1Q20 performance was driven by consumer products, especially in China, and downstream segment on tropical oils division, albeit the Hotel/Restaurant/Catering (HORECA) business was negatively affected by lockdown in its major markets. We are keeping our core earnings forecast for now at US\$1bn in 2020 (-12.3% y-o-y) and we believe Wilmar can achieve our forecast as management shared a constructive tone for 2Q20 earnings during the briefing.

**Where we differ: Its food-based business model can withstand COVID-19.** We believe that Wilmar would be able to withstand the impact of China's economic turbulence caused by the COVID-19 outbreak. Its strong presence in China's staple food market means that its well-diversified product line is irreplaceable, even amid the current tough environment. The growing contribution from Wilmar's consumer branded products in the food market segment will provide a cushion on its earnings amid volatile commodity prices.

**Potential listing of its China operations.** The potential initial public offering (IPO) (A-share listing) of its China operations in 2020 at a higher PE multiple (vs Wilmar's existing PE multiple of 13.0x-14.0x) could be a further share price catalyst. The listing is still on track but has been delayed to 2H20 due to COVID-19.

### Valuation:

We used the sum-of-the-parts (SOTP) valuation methodology to arrive at a target price (TP) of S\$4.00, which implies 16.7x FY20F PE.

### Key Risks to Our View:

**Worse-than-expected COVID-19 outbreak could lead to global recession.** Worse-than-expected fatality rates caused by COVID-19 may lead a more severe than expected economic turbulence and impact Wilmar's operations in China.

### At A Glance

Issued Capital (m shrs)	6,345
Mkt. Cap (S\$m/US\$m)	22,462 / 15,851
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	31.0
Archer-Daniels-Midland Co	24.8
Kerry Group	5.7
Free Float (%)	38.5
3m Avg. Daily Val (US\$m)	19.0

GIC Industry : Consumer Staples / Agricultural Products



Live more, Bank less

## WHAT'S NEW

### Good performance despite the virus

#### 1Q20 : Core earnings ahead our expectations

1Q20 core net profit was up +23% y-o-y/-25% q-o-q to US\$306.5m on strong consumer products performance (especially in China) and tropical oils downstream operations, albeit it was partially offset by lower demand from Hotels/Restaurant/Catering (HORECA) business due to COVID-19 lockdowns. The core earnings was ahead of our estimate mainly on better than expected margin performance, but in line with consensus despite reported net profit down 13% y-o-y to US\$224.3m, driven by the mark-to-market losses on investments in equity securities amid the overall weak equity markets.

Revenue reached US\$10.9bn (+4.6% y-o-y, -3% q-o-q), largely on track to our and consensus estimates. Wilmar made changes on its segmental reporting, which is positive in our view as the breakdown shows its strength on consumer products, but we are unable to measure its performance on a q-o-q basis due to different disclosures.

Wilmar now combines food products from all its other segments (i.e. tropical oils, oil seeds, sugar) into a single segment called **Food Products**. Wilmar has also combined industrial products from its other segments (such as animal feed, gas oil, biodiesel) into a segment called **Feed and Industrial Products**. Oil palm plantation and sugar milling activities are now classified under **Plantation and Sugar Milling** with the **Others** segment remaining largely unchanged.

**Food products – Consumer products grew well** on lower input cost.

Low palm oil price bodes well for Wilmar's downstream operations, and lower price q-o-q in 2Q20 likely to keep its downstream tropical oil segment strong as it has been since 2019.

#### Rating and TP: Maintain BUY with TP of S\$4.00 (unchanged)

We believe the changing of segment reporting will reveal Wilmar's strength and presence in China and other regions especially consumer branded goods, which was historically hidden away in the oilseeds and grains, and tropical oil segment.

The next step is earnings delivery – if Wilmar can alleviate market concerns over its earnings performance due to the current commodity price volatility, we believe Wilmar's share

We believe the market is still cautious on Wilmar albeit the share price has rebounded from the COVID-19 panic sell-off. We also believe the market hasn't priced in the positive 2Q20 outlook and its current valuation has ruled out the listing of its China operations, even though it remains on track.

Consumer products sales volumes grew 35% y-o-y to 2.86m MT as demand for rice, flour and cooking oil rose. Medium pack and bulk sales volumes declined 20% y-o-y to 3.32m MT. COVID-19 restrictions caused people to dine out less, reducing demand from HORECA.

#### Feed and industrial products - Crush & refining margin improvement mitigated weaker tropical oil volume

Tropical oils sales volumes declined 10% y-o-y to 5.24m MT led by a slowdown in certain destination markets. Sales volumes of Oilseeds and Grains rose 17% y-o-y to 4.28m MT as crush margins and volume improved following a recovery from the African Swine Fever (ASF). Sugar sales volumes inched down 3.0% y-o-y to 2.08m MT. Refining division performed well as pricing premium for white sugar improved although milling will be impacted by lower sugar prices.

#### Earnings forecast: Positive tone on the cards, but maintaining our forecast for now

We maintain our forecast for now – we expect earnings to be US\$1bn each in FY20F (-12.3% y-o-y) and FY21. We believe Wilmar can beat our earnings forecast, as management shared a constructive one for 2Q20 performance.

Wilmar's management has highlighted that 2Q20 performance will remain strong as Wilmar is producer of essential products, both food and non-food, which should recover alongside economic activity. HORECA business should also start to recover in the same quarter, while the normalising hogs population post ASF in 2019 would drive stronger feed demand. Crushing margin also likely to remain strong in 2Q20, partly

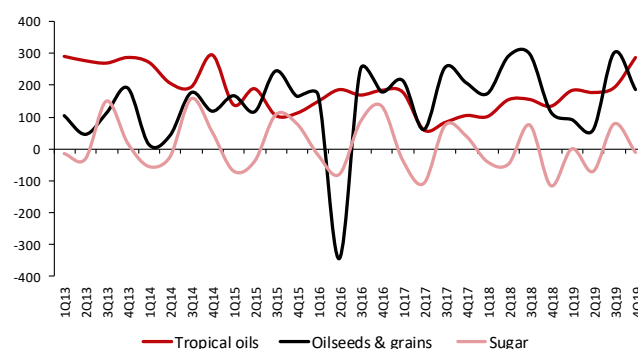
price can further re-rate to outperform the commodity price trend ahead. Wilmar has so far demonstrated that its earnings performance is detached from the commodity price volatility, trade spat, ASF and 1Q20 lockdown in China.

We maintain our Sum of Parts (SOTP) valuation of S\$4.00, which implies FY20 PE of 16.7x. The target PE multiple is at +1 standard deviation of its five-year average PE. We believe Wilmar's valuation deserves to re-rate closer to consumer

companies' PE multiples, due to higher contribution from consumer branded goods in its sales mix – this accounted for around 60% of Wilmar's earnings in 2020. Our SOTP valuation is still based on the older reporting segment breakdown, and we may change it as soon as we gather more information on each new segment, probably when 2Q20 earnings are released at the earliest.

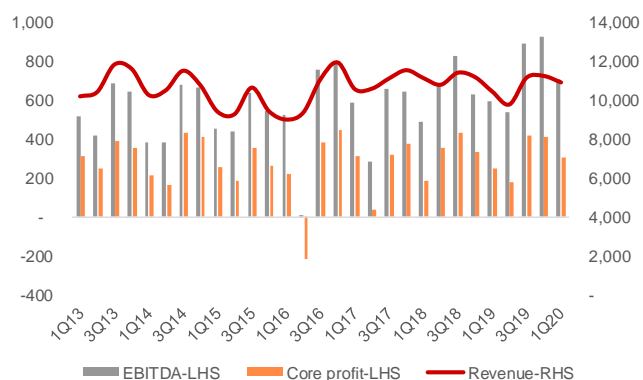
The listing of its China operations is still on track and expected to obtain approval in 2H20. We still assume that YKA will be listed at 19.0x FY20 PE, which we believe is reasonable, since its only slightly higher than our Wilmar's target PE multiple of 16.7x.

### Quarterly profit before tax



Source: Company, DBSVI, DBS Bank

### Quarterly earnings trend



Source: Company, DBSVI, DBS Bank

## Quarterly / Interim Income Statement Summary (US\$m)

	1Q2020 US\$m	1Q2019 US\$m	y-o-y Change	4Q2019 US\$m	q-o-q Change
Revenue	10,921	10,444	4.6%	11,250.4	-3%
EBITDA	707	645	9.6%	928.8	-24%
Net Profit	224	257	-12.7%	438.4	-49%
Core Net Profit	307	250	22.5%	410.0	-25%
Cash flow from operating activities	1,944	1,694	14.8%	-319	nm
Gearing Ratio	0.71x	0.74x	-0.03x	0.79x	-0.08x
<b>Sales Statistics ('000MT)</b>					
<i>Food Products</i>					
Consumer Products	2,855	2,118	34.80%	NA	NA
Medium Pack and Bulk	3,315	4,144	-20.00%	NA	NA
<i>Feed and Industrial Products</i>					
Tropical Oils	5,237	5,812	-9.90%	NA	NA
Oilseeds and Grains	4,280	3,649	17.30%	NA	NA
Sugar	2,082	2,146	-3.00%	NA	NA

Source: Company, DBSVI, DBS Bank

## DBS - YKA's listing scenario

Ex. China NPATMI 40%	China NPATMI 60%	Blended PE (X)	DBS Wilmar 2020 NPATMI (US\$m)	Wilmar Market Cap (US\$m)	Wilmar Market Cap (S\$m)	Share price (S\$)
13	11	11.9	1,083	12,909.36	18,073.10	2.85
13	12	12.5		13,559.16	18,982.82	3.00
13	13	13.1		14,208.96	19,892.54	3.14
13	14	13.7		14,858.76	20,802.26	3.28
13	15	14.3		15,508.56	21,711.98	3.43
13	16	14.9		16,158.36	22,621.70	3.57
13	17	15.5		16,808.16	23,531.42	3.72
13	18	16.0		17,328.00	24,259.20	3.83
13	19	16.7		18,107.76	25,350.86	4.00
13	20	17.2		18,627.60	26,078.64	4.12
13	21	17.9		19,407.36	27,170.30	4.29
13	22	18.5		20,057.16	28,080.02	4.43
13	23	19.1		20,706.96	28,989.74	4.58

Source : DBSVI, DBS Bank

SGD/USD 1.4

Shares Outstanding: 6,333m shares

Assuming China NPATMI is 60% of Wilmar's consolidated NPATMI

## Sum-of-parts (SOTP) valuation summary

Divisions	NPAT FY20F Estimates (US\$m)	EPS (US\$)	FY20 PE (X)	Value (US\$)	Value (S\$)
Tropical oils	413.1	0.07	15.5	1.01	1.4
Oilseeds & grains	509.9	0.09	18.0	1.45	2.0
Sugar/others	226.8	0.04	11.0	0.39	0.5
Minority interest	66.4				
<b>Total</b>	<b>1,083.4</b>			<b>3.3</b>	<b>4.00</b>

Source : DBSVI, DBS Bank

## CRITICAL DATA POINTS TO WATCH

### Critical Factors

**CPO and soybean prices.** Approximately 20% of its earnings before interest and taxes (EBIT) is from sales of crude palm oil (CPO) and palm kernel (PK). CPO price movements directly affect the profit of Wilmar's plantation segment. As one of the largest processors of both CPO and soybeans globally, the group holds varying levels 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.

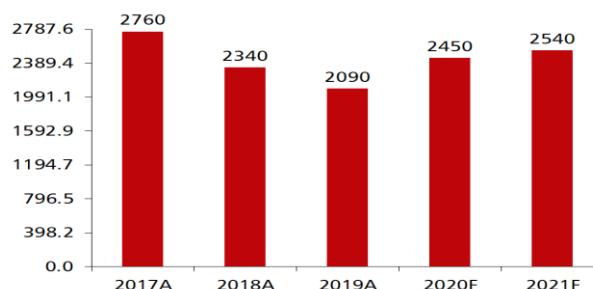
**Weather and supply chain congestion.** A worse-than-expected drop in fresh fruit bunches (FFB) yield would adversely impact our forecast for this year, due to the continued dry weather in some parts of Malaysia and Indonesia. Wilmar constantly monitors its supply chain to avoid delays in deliveries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

**Changes in export tax policy.** A prospective increase in biodiesel production in Indonesia may lead to an oversupply and lower the price of glycerin (by-product of biodiesel output) in Wilmar's oleochemicals unit, although this makes up only a minor 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.

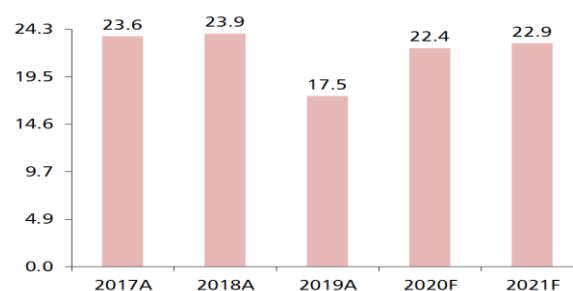
**Movement in crude oil prices.** Global demand for both ethanol and biodiesel is subject to certain crude oil price thresholds. Below this level, demand for both products would be adversely affected, and would influence sugarcane, corn and palm oil prices. Wilmar's sugar milling segment is exposed to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

**Geographic exposure.** Wilmar's consolidated revenue is globally distributed, with China contributing over 60% in FY19, followed by Southeast Asia at 18%, and Europe and Africa at c.6% respectively. 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 exclusive to Wilmar. The group also requires a significant amount of working capital, which would affect its borrowing cost.

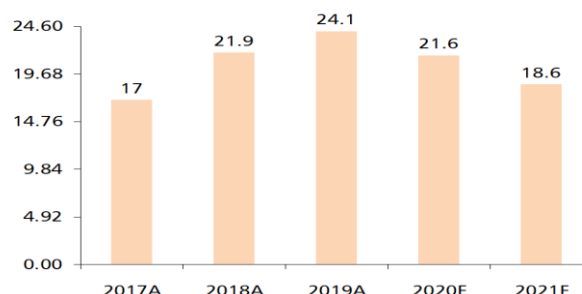
CPO price (RM/MT)



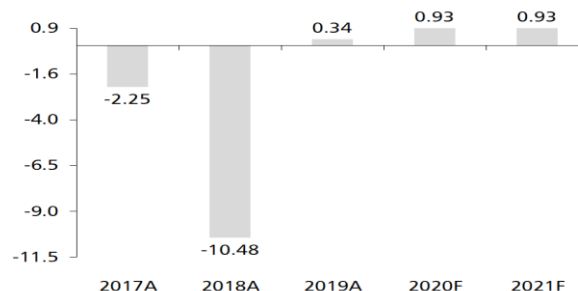
Oilseeds & grains pretax (US\$/MT)



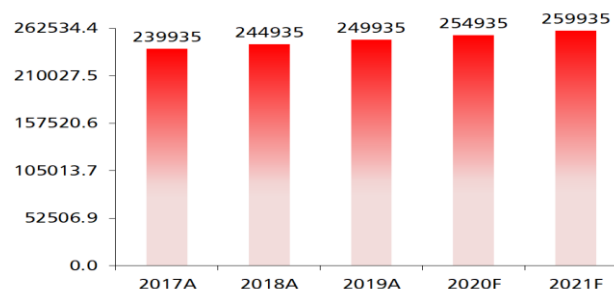
Tropical oils pretax (US\$/MT)



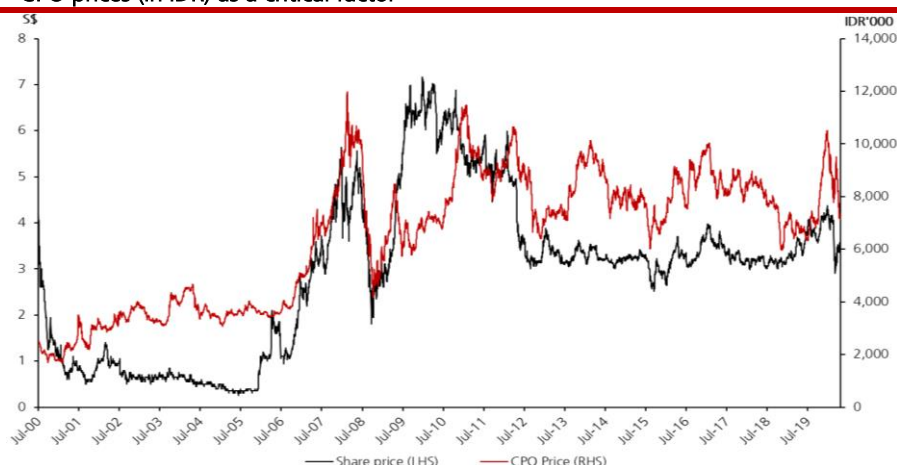
Sugar pretax (US\$/MT)



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 CPO price have dictated its share price movement historically

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

**Remarks**

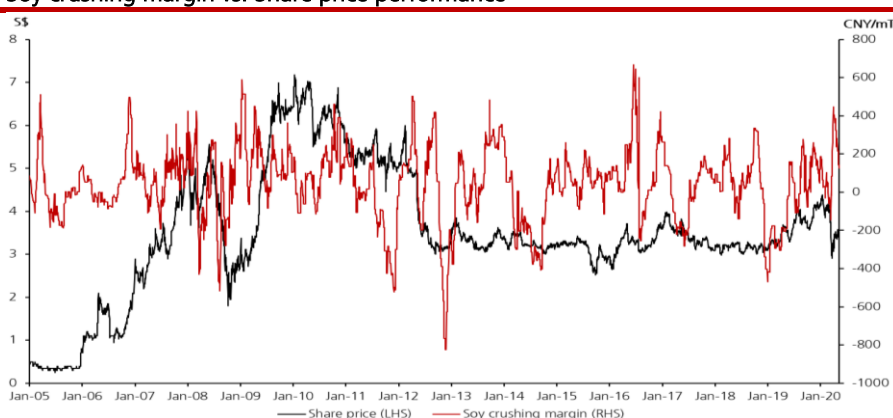
While historically, spot margin had no direct correlation with Wilmar's Oilseeds & Grains pretax margins, soy crushing margin had a correlation of ~67% with Wilmar's share price from Jan – Jun 2017. Thereafter, the relationship broke down with improving soy crushing margins.

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

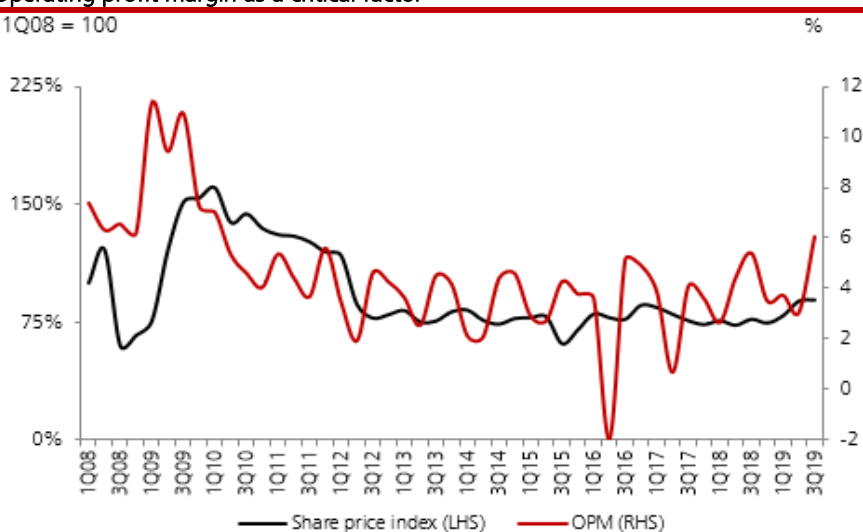
**Remarks**

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.

Penetration into consumer branded goods products, which likely to bear higher margin than its bulk, and commodities linked division will further support Wilmar's profitability and share price.

**Soy crushing margin vs. Share price performance****Operating profit margin as a critical factor**

1Q08 = 100



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



**Balance Sheet:**

**Decent balance sheet.** Adjusting for liquid working capital, the group's total debt-to-equity ratio is 0.6x as at end-December 2020, stable y-o-y. We forecast FY20 earnings before interest, taxes, depreciation and amortisation (EBITDA)/interest ratio at 10.0x, while FY20 current ratio is forecast at 1.1x.

**Value creation in progress.** We expect the group to have a return on equity-weighted (ROE-WACC) spread of 1.0% in FY20F/21F versus a negative spread in the last two years. With capital expenditure (capex) outlay of c.US\$1.0bn p.a. in FY20F-21F, we expect Wilmar to continue to generate positive free cash flows.

**Share Price Drivers:**

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

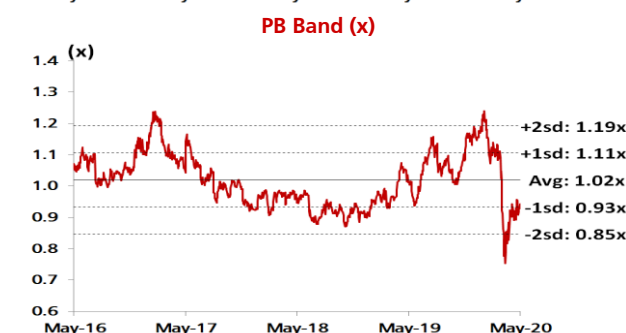
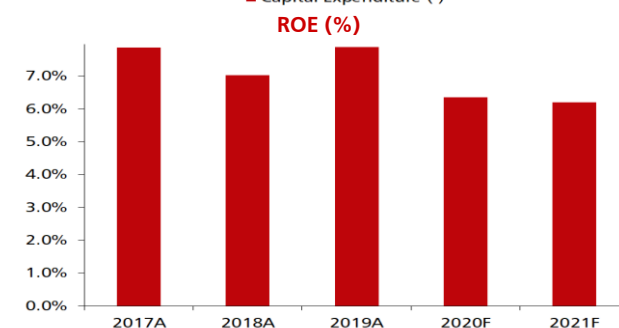
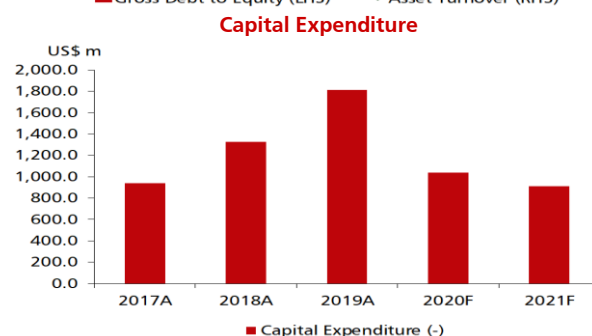
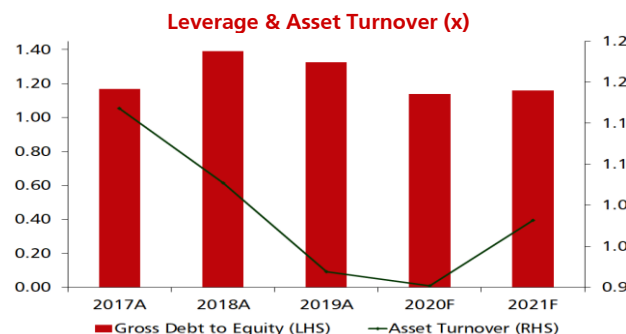
**Key Risks:**

**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 the US Dollar (USD) would affect profitability of planters in general.

**Worse-than-expected COVID-19 outbreak.** A worse-than-expected fatality rate in the ongoing COVID-19 pandemic may cause a more severe-than-expected economic turbulence and impact WIL's operations in China.

**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, oleochemicals 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	2019A	2020F	2021F
CPO price (RM/MT)	2,760	2,340	2,090	2,450	2,540
Oilseeds & grains pretax	23.6	23.9	17.5	22.4	22.9
Tropical oils pretax	17.0	21.9	24.1	21.6	18.6
Sugar pretax (US\$/MT)	(2.25)	(10.48)	0.34	0.93	0.93
Oil palm planted area	239,935	244,935	249,935	254,935	259,935

## Segmental Breakdown

FY Dec	2017A	2018A	2019A	2020F	2021F
<b>Revenues (US\$ m)</b>					
Tropical oils	18,067	16,766	15,350	17,157	17,658
Oilseeds & grains	19,806	23,035	18,386	19,921	21,931
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)	2,716	(2,652)	(2,789)
<b>Total</b>	<b>43,574</b>	<b>44,498</b>	<b>42,641</b>	<b>40,927</b>	<b>43,901</b>
<b>Pretax (US\$ m)</b>					
Tropical oils	426	547	597	531	455
Oilseeds & grains	735	875	528	655	758
Sugar	(25)	(123)	4	12	13
Others	242	20	14	15	13
Unallocated costs	184	250	599	242	234
<b>Total</b>	<b>1,563</b>	<b>1,569</b>	<b>1,742</b>	<b>1,454</b>	<b>1,473</b>
<b>Pretax Margins (%)</b>					
Tropical oils	2.4	3.3	3.9	3.1	2.6
Oilseeds & grains	3.7	3.8	2.9	3.3	3.5
Sugar	(0.5)	(3.4)	0.1	0.3	0.3
Others	11.4	0.9	0.6	0.6	0.6
<b>Total</b>	<b>3.6</b>	<b>3.5</b>	<b>4.1</b>	<b>3.6</b>	<b>3.4</b>

## Income Statement (US\$ m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	43,574	44,498	42,641	40,927	43,901
Cost of Goods Sold	(39,807)	(40,107)	(38,154)	(37,189)	(39,811)
<b>Gross Profit</b>	<b>3,767</b>	<b>4,390</b>	<b>4,486</b>	<b>3,739</b>	<b>4,090</b>
Other Opnq (Exp)/Inc	(2,374)	(2,600)	(2,539)	(2,285)	(2,458)
<b>Operating Profit</b>	<b>1,393</b>	<b>1,790</b>	<b>1,947</b>	<b>1,453</b>	<b>1,632</b>
Other Non Opq (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	228	310	153	274	274
Net Interest (Exp)/Inc	(253)	(352)	(417)	(273)	(433)
Exceptional Gain/(Loss)	194	(180)	59	0	0
<b>Pre-tax Profit</b>	<b>1,563</b>	<b>1,569</b>	<b>1,742</b>	<b>1,454</b>	<b>1,473</b>
Tax	(282)	(350)	(372)	(308)	(312)
Minority Interest	(85)	(95)	(77)	(64)	(71)
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>1,196</b>	<b>1,124</b>	<b>1,293</b>	<b>1,083</b>	<b>1,090</b>
Net Profit before Except.	1,002	1,304	1,235	1,083	1,090
Net Pft (ex. BA gains)	1,203	1,145	1,273	1,083	1,090
EBITDA	2,397	2,933	2,978	2,590	2,817
<b>Growth</b>					
Revenue Gth (%)	5.2	2.1	(4.2)	(4.0)	7.3
EBITDA Gth (%)	10.8	22.4	1.6	(13.0)	8.8
Opq Profit Gth (%)	6.7	28.5	8.8	(25.4)	12.3
Net Profit Gth (%)	23.0	(6.0)	15.1	(16.3)	0.7
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	8.6	9.9	10.5	9.1	9.3
Opq Profit Margin (%)	3.2	4.0	4.6	3.6	3.7
Net Profit Margin (%)	2.7	2.5	3.0	2.6	2.5
ROAE (%)	7.9	7.0	7.9	6.4	6.2
ROA (%)	3.1	2.6	2.8	2.4	2.4
ROCE (%)	3.2	3.6	3.7	2.8	3.1
Div Payout Ratio (%)	39.2	43.5	45.0	45.0	45.0
Net Interest Cover (x)	5.5	5.1	4.7	5.3	3.8

Source: Company, DBSVI, DBS Bank

## Quarterly / Interim Income Statement (US\$ m)

FY Dec	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Revenue	11,190	10,444	9,782	11,164	11,250
Cost of Goods Sold	(10,127)	(9,433)	(8,872)	(9,852)	(9,997)
<b>Gross Profit</b>	<b>1,063</b>	<b>1,011</b>	<b>910</b>	<b>1,312</b>	<b>1,253</b>
Other Oper. (Exp)/Inc	(676)	(620)	(610)	(635)	(674)
<b>Operating Profit</b>	<b>387</b>	<b>391</b>	<b>300</b>	<b>677</b>	<b>579</b>
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	153	21	22	25	85
Net Interest (Exp)/Inc	(110)	(108)	(121)	(106)	(82)
Exceptional Gain/(Loss)	(130)	1	(40)	81	17
<b>Pre-tax Profit</b>	<b>301</b>	<b>305</b>	<b>160</b>	<b>677</b>	<b>600</b>
Tax	(67)	(42)	(20)	(168)	(141)
Minority Interest	(39)	(5)	(12)	(32)	(39)
<b>Net Profit</b>	<b>195</b>	<b>257</b>	<b>128</b>	<b>477</b>	<b>420</b>
Net profit bef Except.	324	256	168	396	403
EBITDA	784	614	563	919	906

## Growth

Revenue Gth (%)	(2.0)	(6.7)	(6.3)	14.1	0.8
EBITDA Gth (%)	(12.1)	(21.7)	(8.4)	63.2	(1.3)
Opg Profit Gth (%)	(38.0)	1.0	(23.4)	125.8	(14.4)
Net Profit Gth (%)	(51.9)	32.1	(50.3)	273.3	(11.8)

## Margins

Gross Margins (%)	9.5	9.7	9.3	11.8	11.1
Opg Profit Margins (%)	3.5	3.7	3.1	6.1	5.2
Net Profit Margins (%)	1.7	2.5	1.3	4.3	3.7

## Balance Sheet (US\$ m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	8,756	9,345	9,851	9,908	9,841
Invt in Associates & JVs	3,428	3,715	3,103	3,377	3,651
Other LT Assets	6,169	6,362	8,520	8,716	8,862
Cash & ST Invt	4,532	5,163	5,745	2,397	2,736
Inventory	8,224	7,911	7,961	7,735	8,281
Debtors	9,456	11,868	11,530	11,229	12,045
Other Current Assets	368	1,348	339	339	339
<b>Total Assets</b>	<b>40,933</b>	<b>45,713</b>	<b>47,049</b>	<b>43,701</b>	<b>45,754</b>
ST Debt	16,130	17,821	18,288	15,614	16,748
Creditor	2,893	3,356	4,140	2,897	3,101
Other Current Liab	663	1,664	567	505	507
LT Debt	3,696	5,523	5,419	5,419	5,419
Other LT Liabilities	564	574	758	796	836
Shareholder's Equity	15,964	16,046	16,763	17,292	17,894
Minority Interests	1,022	729	1,114	1,178	1,249
Put Equity Reserve	N/A	N/A	N/A	N/A	N/A
<b>Total Cap. &amp; Liab.</b>	<b>40,933</b>	<b>45,713</b>	<b>47,049</b>	<b>43,701</b>	<b>45,754</b>
Non-Cash Wkg. Capital	14,491	16,108	15,122	15,901	17,056
Net Cash/(Debt)	(15,295)	(18,182)	(17,963)	(18,637)	(19,431)
Debtors Turn (avg days)	66.6	87.5	100.1	101.5	96.8
Creditors Turn (avg days)	29.5	29.0	36.7	35.4	28.1
Inventory Turn (avg days)	71.3	75.0	77.7	78.9	75.1
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	0.8	0.7	0.7
Net Debt/Equity (X)	0.9	1.1	1.0	1.0	1.0
Net Debt/Equity ex MI (X)	1.0	1.1	1.1	1.1	1.1
Capex to Debt (%)	4.7	5.7	7.6	4.9	4.1
Z-Score (X)	1.9	1.8	1.8	1.9	1.9

Source: Company, DBSVI, DBS Bank

## Cash Flow Statement (US\$ m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	1,563	1,569	1,742	1,454	1,473
Dep. & Amort.	775	832	878	863	911
Tax Paid	(286)	(387)	(247)	(308)	(312)
Assoc. & JV Inc/(loss)	(228)	(310)	(153)	(274)	(274)
Chg in Wkg.Cap.	(1,728)	149	1,098	(717)	(1,157)
Other Operating CF	208	(352)	19	(74)	(11)
<b>Net Operating CF</b>	<b>303</b>	<b>1,501</b>	<b>3,338</b>	<b>945</b>	<b>631</b>
Capital Exp.(net)	(938)	(1,325)	(1,813)	(1,039)	(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)	126	(144)	(157)
<b>Net Investing CF</b>	<b>(854)</b>	<b>(1,370)</b>	<b>(1,687)</b>	<b>(1,182)</b>	<b>(1,067)</b>
Div Paid	(320)	(495)	(462)	(559)	(488)
Chg in Gross Debt	3,167	819	794	(2,674)	1,134
Capital Issues	22	3	31	0	0
Other Financing CF	(3,268)	(46)	(1,338)	38	40
<b>Net Financing CF</b>	<b>(399)</b>	<b>281</b>	<b>(975)</b>	<b>(3,196)</b>	<b>686</b>
Currency Adjustments	0	0	0	0	0
Chg in Cash	(949)	412	676	(3,433)	250
Opg CFPS (S cts)	31.7	21.1	35.0	25.9	27.9
Free CFPS (S cts)	(9.9)	2.7	23.8	(1.5)	(4.4)

Source: Company, DBSVI, DBS Bank

## Target Price &amp; 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:	13 May 19	3.53	3.86	BUY
2:	12 Jun 19	3.41	3.86	BUY
3:	10 Jul 19	3.72	4.30	BUY
4:	15 Jul 19	3.83	4.30	BUY
5:	14 Aug 19	3.86	4.30	BUY
6:	15 Aug 19	3.78	4.25	BUY
7:	20 Aug 19	3.79	4.25	BUY
8:	12 Sep 19	3.86	4.25	BUY
9:	11 Nov 19	3.83	4.25	BUY
10:	14 Nov 19	4.00	4.35	BUY
11:	09 Dec 19	4.10	4.60	BUY
12:	21 Feb 20	4.11	4.60	BUY
13:	27 Mar 20	3.22	4.00	BUY

Source: DBSVI, DBS Bank

Analyst: William Simadiputra

Singapore Research Team

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**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

Completed Date: 12 May 2020 17:23:44 (SGT)

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