

Singapore Company Guide

Wilmar International

Version 27 | Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Jul 2020

BUY

Last Traded Price (1 Jul 2020): S\$4.10 (STI : 2,589.91)
Price Target 12-mth: S\$4.60 (12% upside) (Prev S\$4.00)

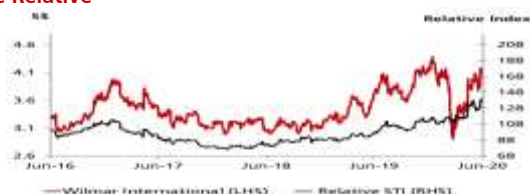
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What's New

- YKA expected to be listed at 22x PE multiple on strong investors interest
- Benefiting from diversified food product lines
- WIL to disclose more details of its food business in 2Q20
- Raise TP to S\$4.60, maintain BUY

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)	24.5	28.1	23.6	23.7
EPS Pre Ex. (S cts)	28.4	26.9	23.6	23.7
EPS Gth Pre Ex (%)	30	(5)	(12)	1
Diluted EPS (S cts)	24.5	28.1	23.6	23.7
Net DPS (S cts)	10.6	12.7	10.6	10.7
BV Per Share (S cts)	349.2	364.8	376.3	389.4
PE (X)	16.8	14.6	17.4	17.3
PE Pre Ex. (X)	14.5	15.3	17.4	17.3
P/Cash Flow (X)	12.6	5.6	19.9	29.9
EV/EBITDA (X)	12.9	12.7	14.9	14.0
Net Div Yield (%)	2.6	3.1	2.6	2.6
P/Book Value (X)	1.2	1.1	1.1	1.1
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):			26.9	29.8
Other Broker Recs:		B: 14	S: 1	H: 1

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

Shifting into higher gear

Growing confidence in listing of YKA. We raise Wilmar International's (WIL) target price to S\$4.60 on higher FY20 price-to-earnings (PE) multiple of 22x pegged to Yihai Kerry Arawana (YKA)'s earnings forecasts of US\$650m (DBS estimates) for 2020. This implies that YKA may potentially be listed at a market capitalization of around S\$19.7bn, or equal to 75% WIL's current market capitalisation. With YKA's listing possibly above our PE multiple, this implies that WIL's current valuation is still closely associated with commodities (especially palm oil), discounting the value of its strong presence in the branded food product segment. Our higher YKA's valuation is based on our view that YKA's upcoming IPO will gain strong interest among the investors.

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

2Q20 earnings performance: Next share price driver. WIL's upcoming 2Q20 earnings will likely benefit from the resumption of non-household food consumption, as well as steady demand from the kitchen food segment. However, higher palm oil prices in May-June may cap prospects of margin expansion in the tropical oil related businesses.

Valuation:

We used sum-of-the-parts (SOTP) valuation methodology to arrive at a target price (TP) of S\$4.60, which implies 19.6x FY20F PE.

Key Risks to Our View:

Worse-than-expected second wave of COVID-19 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 WIL's operations in China.

At A Glance

Issued Capital (m shrs)	6,350
Mkt. Cap (S\$m/US\$m)	26,035 / 18,682
Major Shareholders (%)	
Archer-Daniels-Midland Co	24.8
Kuok Brothers Sdn Bhd	18.5
Kerry Group Ltd	5.7
Free Float (%)	51.04
3m Avg. Daily Val (US\$m)	20.9

GIC Industry : Consumer Staples / Agricultural Products



WHAT'S NEW

Shifting to higher gear

Raised TP to S\$4.60, maintain BUY

We maintain our BUY rating with higher TP of S\$4.60 premised on WIL delivering good earnings in 2Q20 and YKA's value unlocked at 22-23x PE multiple. WIL also deserves the credit for YKA's listing as it will be self-funded going forward. This may increase free cash flow on WIL's ex-YKA entities and potentially increase dividend payout for shareholders. Furthermore, commodity prices is not expected to rise sharply in 2021. Hence, an integrated player such as WIL is well positioned to capture margins arising from steady demand from the consumers, with reasonable input cost.

Our higher TP is derived from a higher FY20 target PE multiple of 19.6x. The target multiple assumes a higher PE of 22x applied to YKA, which we estimate accounts for 60% of Wilmar's group earnings. This is higher than our previous estimate of 18x on YKA earnings. Using a historical average of 16x on Wilmar's non China business (40% of its earnings), this will give rise to a blended target PE of 19.6x.

The higher PE multiple for China operation is based on our view that YKA IPO will gain strong interest among the investors. We estimate YKA market capitalization at around US\$14.3bn/S\$19.7bn, based on our 2020 earnings estimates of US\$650m for its China operations or about 60% (FY19 : 61%) of our FY20 earnings forecast for WIL at US\$1.083bn (-13% y-o-y).

WIL's share price has performed well in the past few months due to strong 1Q20 results and reaffirmation of its China listing. Its current PE multiple is already close to +2 standard deviation (SD). However, historically WIL has traded at around its palm oil peers' multiples of 13-15x PE. We believe this does not fully reflect the potential of its food business which has withstood uncertainties triggered by the US-China trade war, African Swine Fever (ASF) and COVID-19 pandemic.

YKA's updated prospectus: Listing of China operations to reassure investor confidence

WIL's latest updated YKA prospectus not only disclosed its financial and operational data for the full-year 2019, but also revealed its potential fund raising of RMB13.9bn (S\$2.8bn) which is higher than our current estimates of S\$1.4-S\$1.5bn. We believe the higher fund raising target is backed by the stronger than expected interest among the investors. This is positive for YKA. It needs to raise more funds to strengthen its position in China's food market, especially in the oilseeds and grains segment. It also needs a bigger war chest to build up its downstream segments such as branded food products.

The strong interest in YKA also reaffirms that WIL's share price in Singapore is undervalued. Historically, investors still associate Wilmar with palm oil related businesses despite WIL's continuous expansion beyond palm oil businesses across China.

Other than YKA, WIL's businesses are already deeply discounted even at current share price. This will be more obvious if YKA is listed at higher than expected multiple, generating a bigger than expected market cap of S\$28bn (assuming 10% of new shares, and S\$2.8bn fund raised target achieved). This implies that WIL's current business lines across ASEAN countries and India are fully discounted at its current market cap of around S\$26bn.

WIL's other business segments such as sugar may not contribute significantly to its consolidated earnings, but we can't underestimate its end-to-end upstream to downstream presence in the palm oil business. WIL is set to profit even when palm oil prices fall due to the company's exposure to the downstream segment. Its downstream palm oil refining facilities in major buying countries such as India enable its tropical oil division to withstand any fluctuation in palm oil prices while delivering relatively good earnings, as evident in 2018-2019.

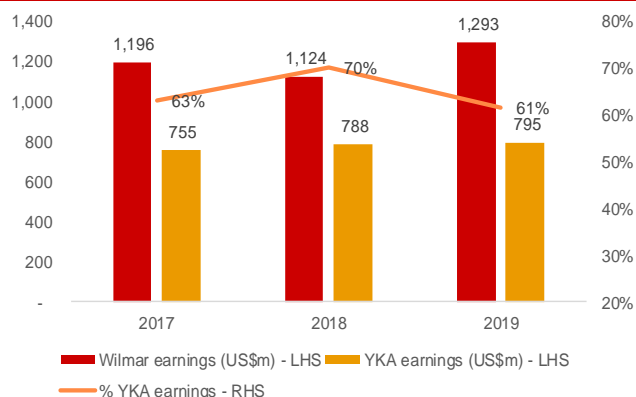
Earnings forecast: Room for organic growth

While we retain our FY20 earnings forecast, there's upside potential if 2Q20 earnings beat our expectations. In 1Q20, WIL beats our expectations mainly due to steadier than expected food demand amid the COVID-19 lockdown.

Going forward, we believe that WIL will sustain its positive earnings momentum and capitalise on the reopening of major economies such as India and China. This will improve demand recovery for non-household food. Maintaining good earnings momentum is crucial to sustain strong interest in its China listing in 2H20 and retain WIL's potential re-rating story

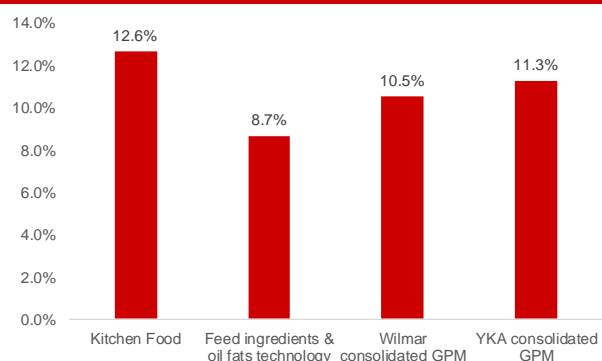
Looking deeper into its prospectus, the potential for further organic earnings growth is promising, with double-digits gross profit margin for the kitchen food segment. Factory utilisation rate for this segment is likely to be in small to medium packaging goods, which only hit 50% in 2019. This opens up organic growth opportunities, other than inorganic growth China. YKA will beef up its balance sheet via listing and will be better positioned to capture the peak of branded food demand at around Chinese New Year season.

Wilmar & YKA: Earnings trend



Source: Company, DBS Bank, DBSVI

GPM comparison (2019)



Source: Company, DBS Bank, DBSVI

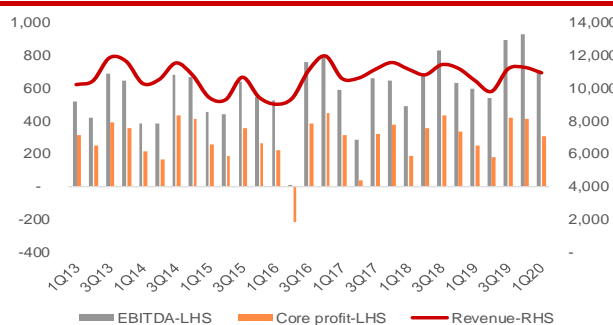
YKA : Ample capacity for revenue growth

Factory Capacity ('000 tons)	2019	2018	2017
Small and medium packaging	22,580	21,430	19,890
Refining	11,060	10,580	10,630
Pressing	22,550	21,930	21,630
Rice Processing	3,840	3,520	3,380
Wheat Processing	6,680	5,910	5,820

Factory Capacity Usage ('000 tons)	2019	2018	2017
Small and medium packaging	11,840	10,950	10,100
Refining	6,210	6,140	5,780
Pressing	12,920	17,580	16,910
Rice Processing	2,600	2,400	2,140
Wheat Processing	5,940	5,330	5,030

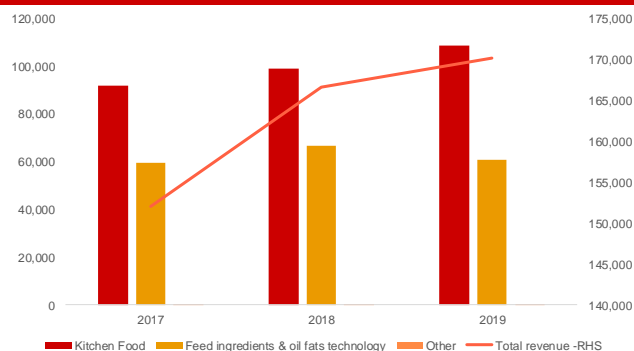
Source: Company, DBS Bank, DBSVI

Wilmar's quarterly earnings trend (US\$m)



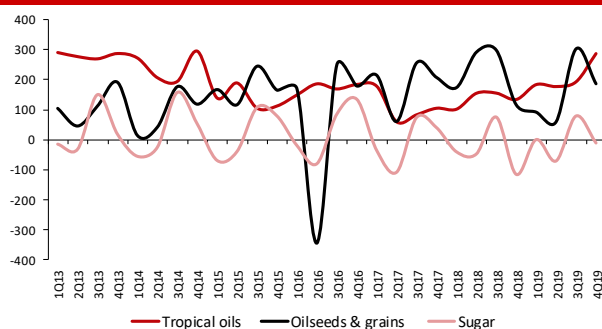
Source: Company, DBS Bank, DBSVI

YKA: Segmental revenue breakdown (RMBm)



Source: Company, DBS Bank, DBSVI

Wilmar's quarterly profit before tax per segment



Source: Company, DBS Bank, DBSVI

DBS - YKA's listing scenario

Ex. China NPATMI 40%	China NPATMI 60%	Blended PE (X)	DBS Wilmar 2020 NPATMI (US\$m)	Wilmar US\$ Market Cap (US\$m)	Wilmar S\$ Market Cap (S\$m)	Share price (S\$)
16	11	13.0		14,079.00	19,374.15	3.06
16	12	13.6		14,728.80	20,268.34	3.20
16	13	14.2		15,378.60	21,162.53	3.34
16	14	14.8		16,028.40	22,056.73	3.48
16	15	15.4		16,678.20	22,950.92	3.62
16	16	16.0		17,328.00	23,845.11	3.77
16	17	16.6		17,977.80	24,739.30	3.91
16	18	17.2		18,627.60	25,633.49	4.05
16	19	17.8	1,083.0	19,277.40	26,527.68	4.19
16	20	18.4		19,927.20	27,421.88	4.33
16	21	19.0		20,577.00	28,316.07	4.47
16	22	19.6		21,226.80	29,210.26	4.61
16	23	20.2		21,876.60	30,104.45	4.75
16	24	20.8		22,526.40	30,998.64	4.89
16	25	21.4		23,176.20	31,892.83	5.04
16	26	22.0		23,826.00	32,787.03	5.18
16	27	22.6		24,475.80	33,681.22	5.32

SGD/USD 1.37

Shares Outstanding 6,350m shares

Assuming China NPATMI 60% of WIL's consolidated NPATMI

Source : DBS Bank

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	0.08	23.0	1.85	2.6
Sugar/others	226.8	0.04	11.0	0.39	0.6
Minority interest	66.4				
Total	1,083.4			3.3	4.60

*Our SOTP valuation summary above is based on WIL's FY19 segmental reporting

CRITICAL DATA POINTS TO WATCH

Critical Factors

CPO and soybean prices. Approximately 20% of WIL’s earnings before interest and taxes (EBIT) are 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 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.

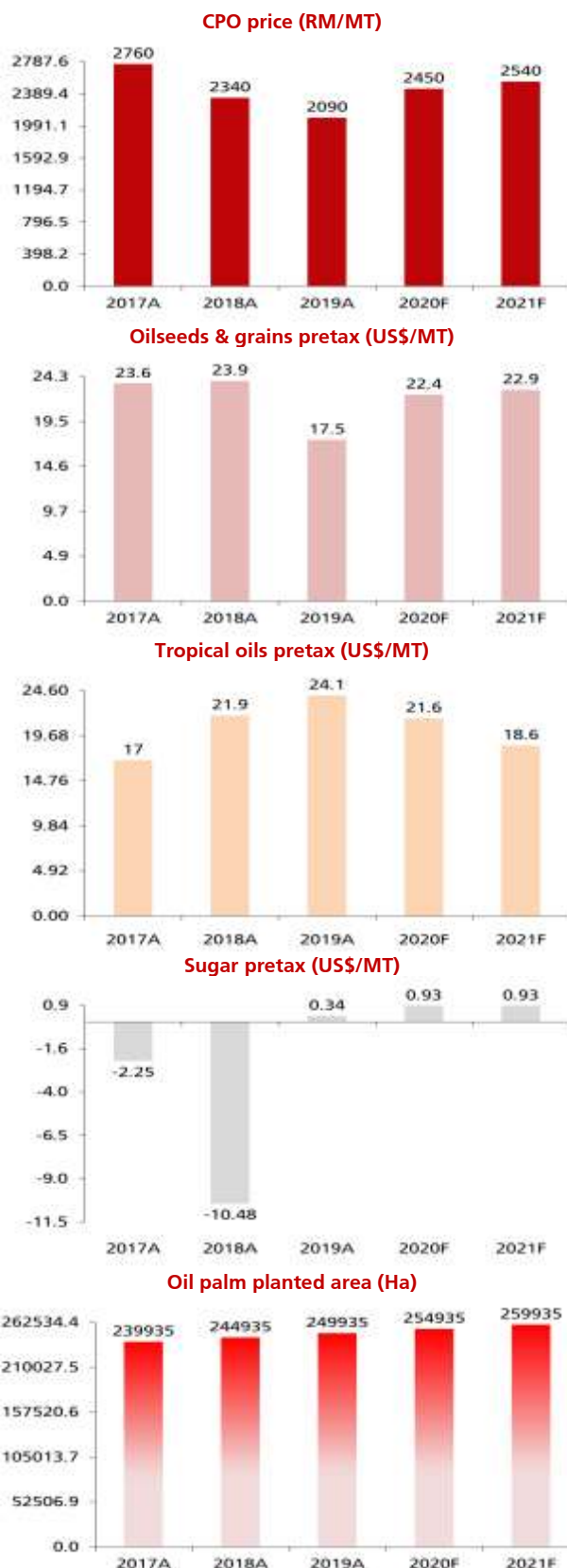
Capacity utilisation and volume output. WIL constantly assesses its capacity utilisation. Changes in soybean exports to China by competitors and soybean prices may prompt WIL to adjust its crushing volumes as well as margins.

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. WIL constantly monitors its supply chain to avoid delays in deliveries to customers.

Changes in export tax policies. 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 WIL’s oleochemicals unit, although this makes up only a minor portion 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 policies should 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. WIL’s sugar milling segment is exposed to volatility in sugar prices if left unhedged.

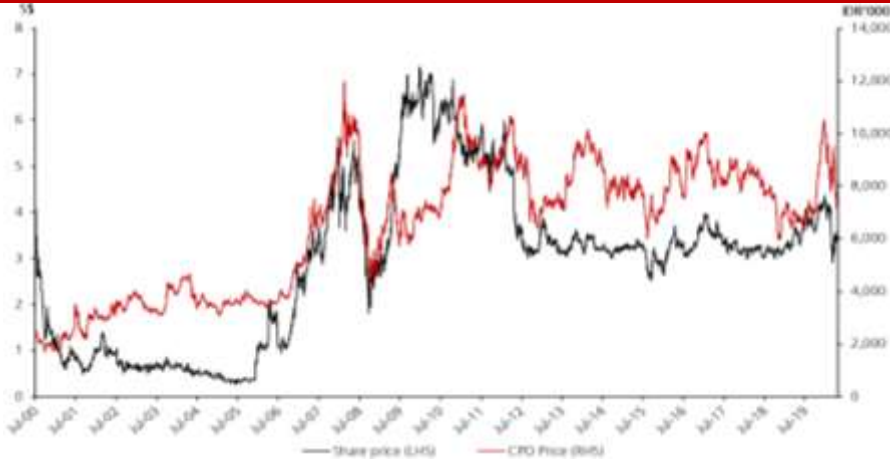
Geographic exposure. WIL’s consolidated revenue is globally distributed, with China contributing over 60% in FY19, followed by Southeast Asia at 18%, and Europe and Africa at c.6% respectively. This means that currency movements in China and Southeast Asia would affect WIL’s earnings. Prospective economic recovery in these markets should also improve WIL’s earnings outlook. However, we should also note that competing processors are also vying for the same markets, which would make recoveries not exclusive to WIL. The group also requires significant working capital which affects its borrowing cost.



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

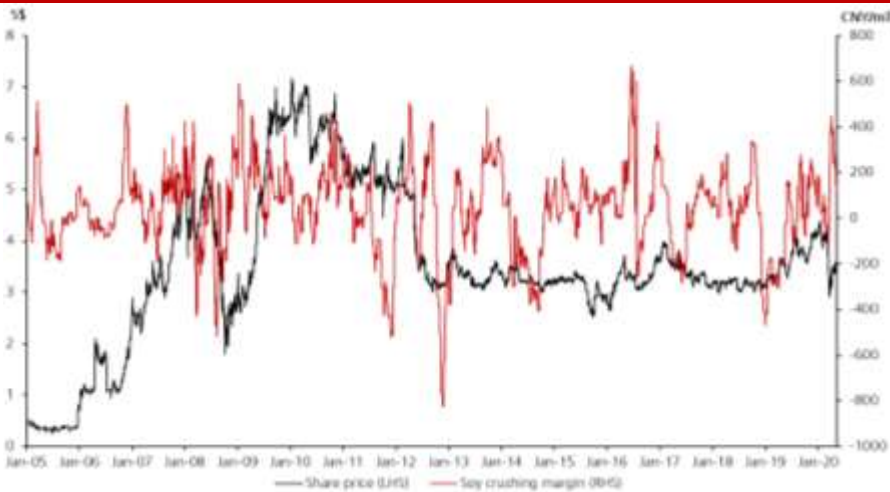


Remarks

Palm oil price is the key catalyst for plantation stocks. Share price movement generally tracks palm oil spot prices. However, the outperformance and underperformance of plantation stocks against CPO prices are dictated by the productivity factor. Stronger- or weaker-than-expected CPO prices have dictated WIL's share price movement historically.

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

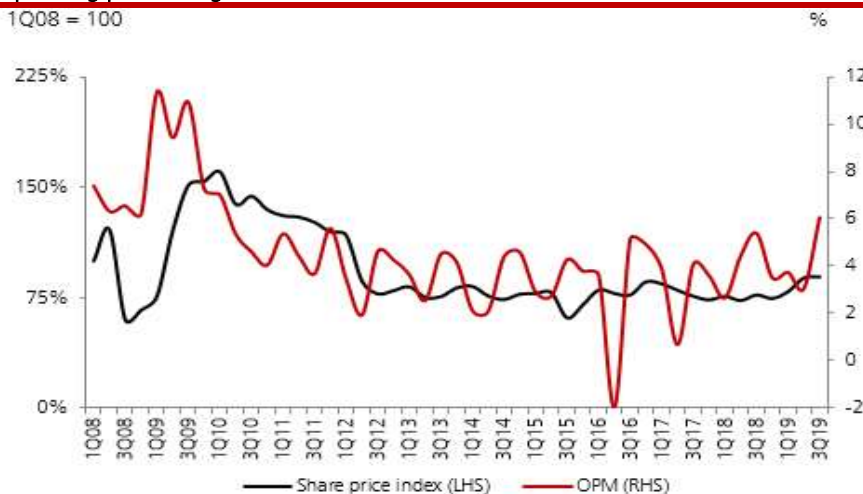


Remarks

Historically, spot margin has not had any direct correlation with WIL's oilseeds & grains pretax margins. However, soy crushing margin had a correlation of ~67% with WIL's share price from January – June 2017. Thereafter, the relationship broke down with improving soy crushing margins.

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

Operating profit margin as a critical factor



Remarks

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

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

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

Balance Sheet:

Decent balance sheet. Adjusting for liquid working capital, the group's total debt-to-equity ratio was stable y-o-y at 0.6x as at end-December 2019. 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 average cost of capital (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 WIL 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 WIL's share price.

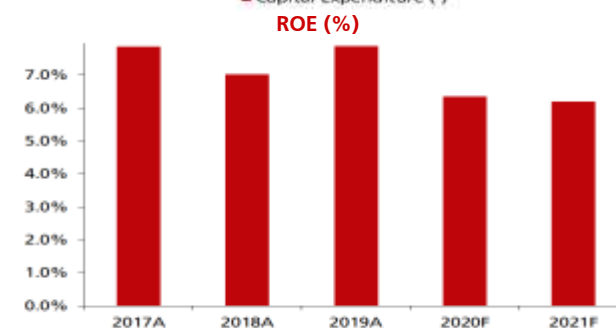
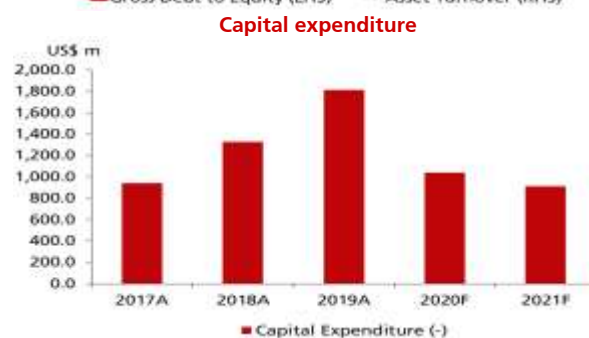
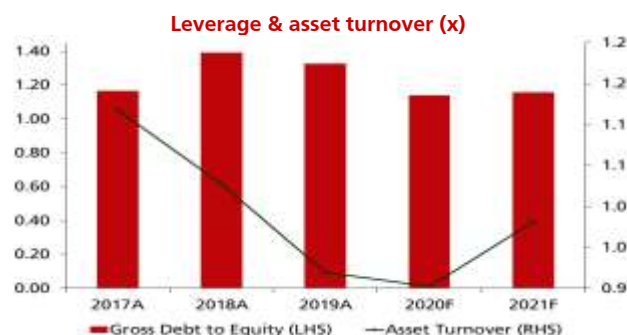
Key Risks:

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
Revenues (US\$ m)					
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)
Total	43,574	44,498	42,641	40,927	43,901
Pretax (US\$ m)					
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
Total	1,563	1,569	1,742	1,454	1,473
Pretax Margins (%)					
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
Others	N/A	N/A	N/A	N/A	N/A
Total	3.6	3.5	4.1	3.6	3.4

Our segmental breakdown is still sticking to Wilmar's reporting as per December 2019. It will disclose segmental breakdowns differently starting 2Q20.

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)
Gross Profit	3,767	4,390	4,486	3,739	4,090
Other Opnq (Exp)/Inc	(2,374)	(2,600)	(2,539)	(2,285)	(2,458)
Operating Profit	1,393	1,790	1,947	1,453	1,632
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
Pre-tax Profit	1,563	1,569	1,742	1,454	1,473
Tax	(282)	(350)	(372)	(308)	(312)
Minority Interest	(85)	(95)	(77)	(64)	(71)
Preference Dividend	0	0	0	0	0
Net Profit	1,196	1,124	1,293	1,083	1,090
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
Growth					
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
Margins & Ratio					
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

We expect earnings to be 16% y-o-y lower in 2020 due to slower than expected pick-up in China's economy due to COVID-19. We may reconsider higher earnings post 2Q20 results.

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)
Gross Profit	1,063	1,011	910	1,312	1,253
Other Oper. (Exp)/Inc	(676)	(620)	(610)	(635)	(674)
Operating Profit	387	391	300	677	579
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
Pre-tax Profit	301	305	160	677	600
Tax	(67)	(42)	(20)	(168)	(141)
Minority Interest	(39)	(5)	(12)	(32)	(39)
Net Profit	195	257	128	477	420
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
Invts 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 Invts	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
Total Assets	40,933	45,713	47,049	43,701	45,754
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
Total Cap. & Liab.	40,933	45,713	47,049	43,701	45,754
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)	2.0	1.9	1.8	2.0	2.0

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)
Net Operating CF	303	1,501	3,338	945	631
Capital Exp.(net)	(938)	(1,325)	(1,813)	(1,039)	(910)
Other Invts.(net)	0	0	0	0	0
Invts 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)
Net Investing CF	(854)	(1,370)	(1,687)	(1,182)	(1,067)
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
Net Financing CF	(399)	281	(975)	(3,196)	686
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, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	10 Jul 19	3.72	4.30	BUY
2:	15 Jul 19	3.83	4.30	BUY
3:	14 Aug 19	3.86	4.30	BUY
4:	15 Aug 19	3.78	4.25	BUY
5:	20 Aug 19	3.79	4.25	BUY
6:	12 Sep 19	3.86	4.25	BUY
7:	11 Nov 19	3.83	4.25	BUY
8:	14 Nov 19	4.00	4.35	BUY
9:	09 Dec 19	4.10	4.60	BUY
10:	21 Feb 20	4.11	4.60	BUY
11:	27 Mar 20	3.22	4.00	BUY
12:	12 May 20	3.82	4.00	BUY

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

Source: DBSVI, DBS Bank

Analyst: William Simadiputra

Singapore Research Team

DBSVI, DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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: 1 Jul 2020 18:15:19 (SGT)

Dissemination Date: 1 Jul 2020 18:17:42 (SGT)

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