

Singapore Company Guide

Wilmar International

Version 28 | Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 Aug 2020

BUY

Last Traded Price (12 Aug 2020): S\$4.79 (STI : 2,563.20)

Price Target 12-mth: S\$5.28 (10% upside) (Prev S\$4.60)

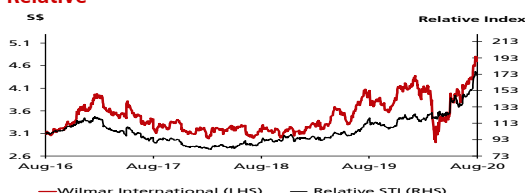
Analyst

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What's New

- Strong 2Q20 core net profit was above our estimate
- Raise FY20/21F earnings by 12%/13% as we expect Wilmar will continue to excel even during the pandemic
- YKA listing in 2H20 to support Wilmar's valuation
- Maintain BUY with a higher TP of S\$5.28

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	2,769	3,006
Pre-tax Profit	1,569	1,742	1,634	1,670
Net Profit	1,124	1,293	1,217	1,236
Net Pft (Pre Ex.)	1,304	1,235	1,217	1,236
Net Pft (ex. BA gains)	1,145	1,273	1,217	1,236
Net Pft Gth (Pre-ex) (%)	30.1	(5.3)	(1.5)	1.6
EPS (S cts)	24.1	27.7	26.1	26.5
EPS Pre Ex. (S cts)	28.0	26.5	26.1	26.5
EPS Gth Pre Ex (%)	30	(5)	(1)	2
Diluted EPS (S cts)	24.1	27.7	26.1	26.5
Net DPS (S cts)	10.5	12.5	11.7	11.9
BV Per Share (S cts)	344.1	359.5	373.4	388.2
PE (X)	19.9	17.3	18.4	18.1
PE Pre Ex. (X)	17.1	18.1	18.4	18.1
P/Cash Flow (X)	14.9	6.7	19.8	28.3
EV/EBITDA (X)	14.1	13.9	15.2	14.2
Net Div Yield (%)	2.2	2.6	2.5	2.5
P/Book Value (X)	1.4	1.3	1.3	1.2
Net Debt/Equity (X)	1.1	1.0	1.0	1.0
ROAE (%)	7.0	7.9	7.1	7.0
Earnings Rev (%):			12	13
Consensus EPS (S cts):			26.5	29.4
Other Broker Recs:		B: 13	S: 1	H: 1

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

Positive performance continues in 2H20

2Q20 core net profit was up 86% y-o-y/7.5% q-o-q to US\$329m, above our expectations. The strong earnings performance was driven by improvement across all business segments especially packaged Consumer Products since consumers are staying in and dining more often at home. Wilmar's crushing margins also improved y-o-y on demand recovery post the African Swine Flu (ASF) outbreak last year. We raised our FY20/21F earnings by 13%/12% to US\$1.2b/US\$1.23 bn to reflect better overall margin performance as Wilmar has delivered a strong performance even amid the ongoing COVID-19 pandemic.

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

Delivering positive earnings growth y-o-y. Re-rating drivers are in place and earnings performance in 2H20 and 2021 should underpin valuations.

Valuation:

We used sum-of-the-parts (SOTP) valuation methodology to arrive at a target price (TP) of S\$5.28, which implies 20.2x 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 to a more severe impact on the China economy and affect Wilmar's operations in China.

At A Glance

Issued Capital (m shrs)	6,356
Mkt. Cap (S\$m/US\$m)	30,445 / 22,168
Major Shareholders (%)	
Archer-Daniels-Midland Co	24.8
Kuok Brothers Sdn Bhd	18.5
Kerry Group Ltd	5.7
Free Float (%)	45.7
3m Avg. Daily Val (US\$m)	25.2
GIC Industry : Consumer Staples / Agricultural Products	



Live more, Bank less

WHAT'S NEW

Expecting positive performance to sustain in 2H20

2Q20: Net earnings jumped 86% y-o-y post ASF outbreak

2Q20 core net profit was up 86% y-o-y/7.5% q-o-q to US\$329m. This led to 1H20 core net profit rising 49% y-o-y to US\$636m - above our expectations. The strong earnings performance was driven by across the board improvement in all business segments especially packaged Consumer Products since consumers are dining more often at home. Wilmar's crushing margins also improved y-o-y on demand recovery post African Swine Flu (ASF) outbreak last year.

2Q20 consolidated revenue reached US\$11.7bn (+20% y-o-y, +7.5% q-o-q), which helped 1H20 revenue to climb 12% y-o-y to US\$22.7bn, largely on track to meet our and consensus estimates. 1H20 revenue growth was also driven by Goodman Fielder consolidation.

Food Products (Consumer products, Medium packs, Bulk) led the way. Food products posted profit before tax (PBT) of US\$495.1m (+21% y-o-y) in 1H20, driven by strong sales of consumer products, however, this was partially offset by weaker sales in the medium pack and bulk businesses due to weak demand from Hotel, Restaurant and Catering (HORECA), especially in 1Q20.

Consumer products sales volumes grew 29% y-o-y to 4.7m MT in 1H20 since consumers were dining in more often and bought high quality products. Medium pack and bulk sales volumes declined 7.5% y-o-y to 7.5m MT. COVID-19 restrictions caused people to dine out less, leading to weaker y-o-y demand for HORECA.

Feed and Industrial Products (Tropical oils, Oilseeds & grains and sugar) – Better crush margins and sales volumes drove strong y-o-y PBT performance.

1H20 PBT from this segment doubled y-o-y to US\$371m on the back of strong recovery from oilseeds and grains division as demand in China recovered from the ASF outbreak last year. This led to strong volumes and crush margins in 1H20.

1H20 sales volumes of Oilseeds and Grains rose 22% y-o-y to 10.2m MT while on the other hand, Tropical oils sales volumes declined 7.7% y-o-y to 10.7m MT, likely led by weaker palm oil production in Indonesia. Sugar sales volumes climbed 34% y-o-y to 5.5m MT on higher sugar merchandising activities.

CPO plantation and sugar milling : Losses before taxes narrowed to US\$82.9m in 1H20 (1H19 : US\$103.5m), thanks to higher palm oil price y-o-y, which helped to offset the impact of low sugar prices in 2Q20. Sugar milling division

also recognized US\$20m impairment charges related to property, plant and equipment from sugar milling assets in India.

JV earnings doubled y-o-y. Wilmar's booked strong JV earnings of US\$84.1m in 1H20 (1H19 : US\$42.8m), led by stronger performances in all investments in China, India and Europe.

Balance sheet: Gearing ratio still lower vs. FY19.

2Q20 net debt increased q-o-q to US\$12.6bn (1Q20 : US\$11.8bn, 4Q19: US\$13.2bn) which translates into a net gearing ratio of 0.77x (FY19: 0.79x).

Earnings forecast: Factoring in the stronger than expected 1H20 performance

We raised our FY20/21F earnings by 12%/13% to US\$1.21bn/ US\$1.24bn, to reflect the stronger than expected 1H20 performance and that Wilmar will continue to deliver steady earnings performance in 2H20. Earnings will be driven by consumer food products, followed by steady feed and industrial products segment. We believe our earnings forecast captures management's view on 2H20 performance which is 'cautiously optimistic' after performing well in 1H20 amid COVID-19 pandemic in China and major countries outside China.

Key upside risk in 2H20 will be plantation and sugar mills. If Wilmar can at least break-even in 2H20 on the segment. Plantation earnings should be supported by improving palm oil prices.

Our FY20F earnings has inched closer to consensus now. Our lower than consensus earnings forecast previously was attributed to lower margins due to COVID-19 pandemic which had led us to slash our earnings forecasts in March 2020. [Wilmar International: Navigating through rough seas](#)

Rating and TP : Maintain BUY with higher TP of S\$5.28

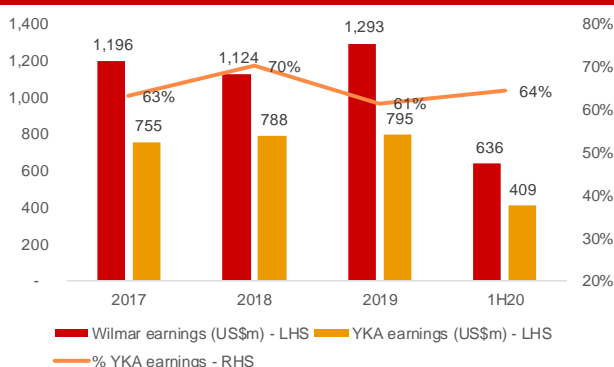
We derive a higher target price of S\$5.28, as we factor in higher earnings estimates for FY2020/2021 earnings forecast. There is no change to our FY20F PE multiple target for China operations/YKA of 22x (YKA accounts 60% of Wilmar's FY20F earnings). The possibility for YKA to list above 23x will depend on the market sentiment toward the IPO, in our view. We note that the Shenzhen Stock Exchange ChiNext's average PE multiple is above 50x.

There is no close peer comparison for YKA as it is currently on a transitioning journey from seeds crushers to consumer

products; our 23x PE multiple for YKA is in line with China's dominant consumer products peers such as Uni President (220 HK equity) and Tingyi (322 HK equity). Please see our previous report for further details on how we value Wilmar with YKA disclosures and potential listing : [Wilmar International: Shifting into higher gear.](#)

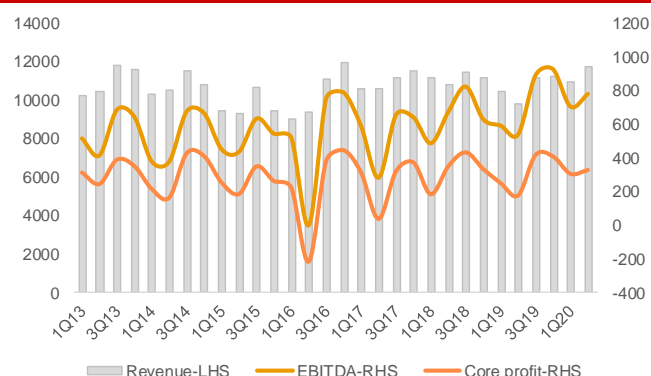
Yihai Kerry Arawana (YKA) obtained its listing clearance from the Shenzhen Stock Exchange (SZSE) ChiNext Board Listing Committee and has submitted an updated prospectus to China Securities Regulatory Commission (CSRC) for final registration approval, and is expected to be listed in 2H20. This listing should help us attach a fair valuation for its consumer products operations, and also push Wilmar and YKA continue to deliver strong earnings. Investor interest should rise closer to the listing.

Wilmar & YKA earnings trend



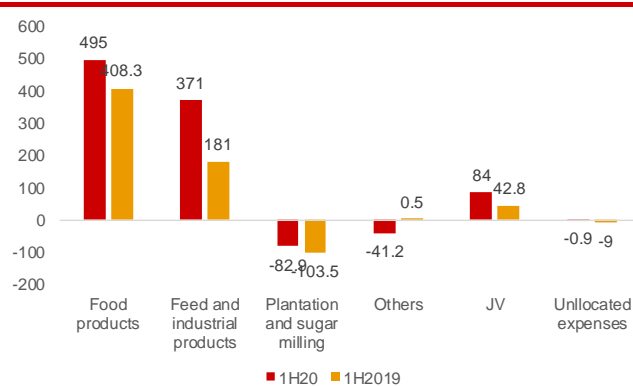
Source: Company, DBS Bank

Quarterly earnings performance (US\$m)



Source: Company, DBS Bank

Segmental profit before tax trend (US\$m)



Source: Company, DBS Bank

Quarterly earnings summary

	2Q2020	1Q2020	2Q2019	y-o-y	q-o-q	1H2020	1H2019	y-o-y
	US\$m	US\$m	US\$m	change	Change	US\$m	US\$m	Change
Revenue	11,737	10,921	9,782	20%	7.5%	22,658	20,230	12%
EBITDA	782	707	541	44%	10.5%	1,489	1,191	25%
Net Profit	387	224	171	126%	72.4%	611	440	39%
Core Net Profit	329	307	177	86%	7.5%	636	427	49%
EBITDA	6.7%	6.5%	5.5%			6.6%	5.9%	
Net Profit	3.3%	2.1%	1.7%			2.7%	2.2%	
Core Net Profit	2.8%	2.8%	1.8%			2.8%	2.1%	
Sales Statistics ('000MT)								
<i>Food Products</i>								
Consumer Products	1,871	2,855	n.a		-34.5%	4,726	3,673	28.7%
Medium Pack and Bulk	4,223	3,315	n.a		27.4%	7,538	8,149	-7.5%
<i>Feed and Industrial Products</i>								
Tropical Oils	5,477	5,237	n.a		4.6%	10,714	11,614	-7.7%
Oilseeds and Grains	5,902	4,280	n.a		37.9%	10,182	8,379	21.5%
Sugar	3,367	2,082	n.a		61.7%	5,449	4,065	34.0%

Source : Company, DBS Bank

YKA's 1H20 earnings summary

RMBm	1H20	1H19	y-o-y growth
Revenue	86,973	78,685	11%
Operating Profit	3,870	1,859	108%
Profit before Tax	3,826	1,858	106%
Net Profit	3,170	1,589	100%
Recurring Profit Attributable to Owners of the Company	2,863	1,240	131%
Net Cash Flows from Operating Activities	9,885	8,496	16%
USDm*	1H20	1H19	y-o-y growth
Revenue	12,425	11,241	10.50%
Operating Profit	553	266	108%
Profit before Tax	547	265	106%
Net Profit	453	227	100%
Recurring Profit Attributable to Owners of the Company	409	177	131%
Net Cash Flows from Operating Activities	1,412	1,214	16%

Source : Company, DBS Bank

*assuming USDRMB of 1.00:7.00

DBS - YKA's listing scenario

Ex. China NPATMI	China NPATMI	Blended PE (X)	DBS Wilmar 2020 NPATMI (US\$m)	Wilmar US\$ Market Cap (US\$m)	Wilmar S\$ Market Cap (S\$m)	Share price (S\$)
40%	60%					
17	11	13.4		16,294.40	22,422.77	3.54
17	12	14.0		17,024.00	23,426.77	3.70
17	13	14.6		17,753.60	24,430.78	3.86
17	14	15.2		18,483.20	25,434.78	4.02
17	15	15.8		19,212.80	26,438.79	4.17
17	16	16.4		19,942.40	27,442.79	4.33
17	17	17.0		20,672.00	28,446.80	4.49
17	18	17.6		21,401.60	29,450.80	4.65
17	19	18.2	1,216.0	22,131.20	30,454.81	4.81
17	20	18.8		22,860.80	31,458.81	4.97
17	21	19.4		23,590.40	32,462.82	5.13
17	22	20.0		24,320.00	33,466.82	5.28
17	23	20.6		25,049.60	34,470.83	5.44
17	24	21.2		25,779.20	35,474.83	5.60
17	25	21.8		26,508.80	36,478.83	5.76
17	26	22.4		27,238.40	37,482.84	5.92
17	27	23.0		27,968.00	38,486.84	6.08

Source : DBS Bank

SGD/USD 1.37

Shares Outstanding: 6,333m shares

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

CRITICAL DATA POINTS TO WATCH

Critical Factors

CPO and soybean prices. Approximately 20% of Wilmar'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.

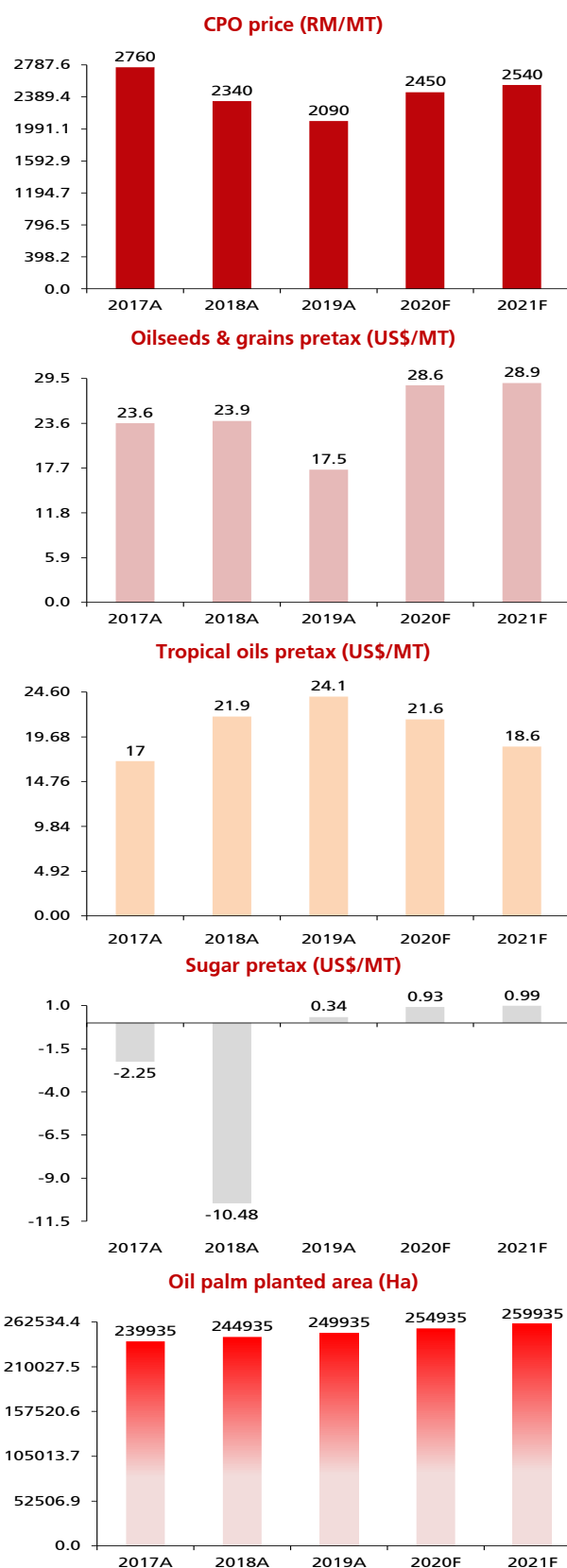
Capacity utilisation and volume output. Wilmar constantly assesses its capacity utilisation. Changes in soybean exports to China by competitors and soybean prices may prompt Wilmar to adjust its crushing volumes as well as margins.

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 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 Wilmar'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. 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. However, 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 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

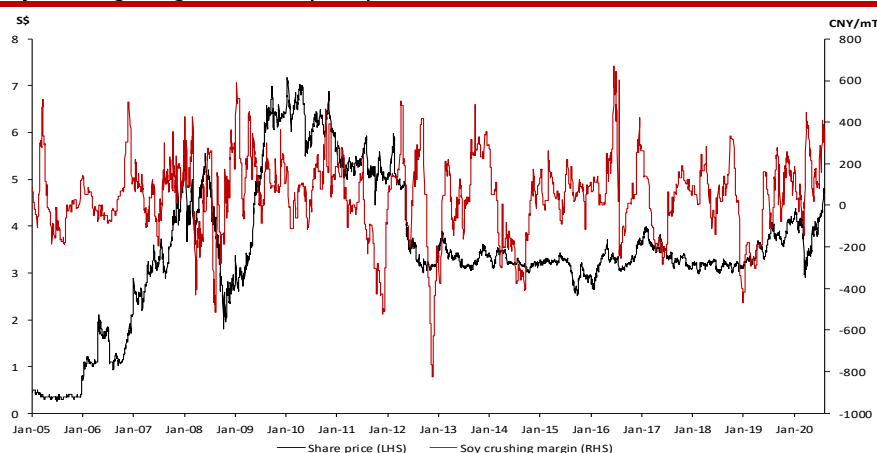


Remarks

Wilmar's share price has historically tracked palm oil price – this in line with investors general perception that Wilmar is still a palm oil planter, despite its continuous expansion to branded consumer products.

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

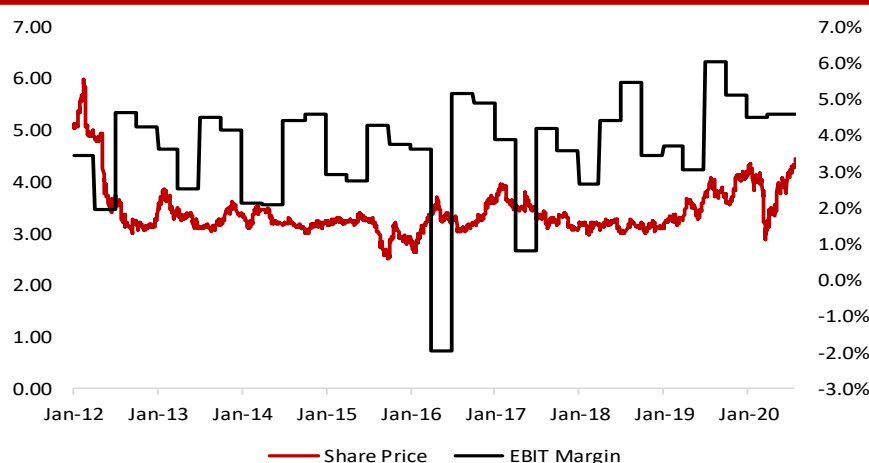


Remarks

While historically spot margins 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, thanks to Wilmar's dominant position in China and presence in major commodities producing countries.

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

Operating profit margin as a critical factor



Remarks

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

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

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

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 FY20F 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 Wilmar 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 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 Wilmar's share price.

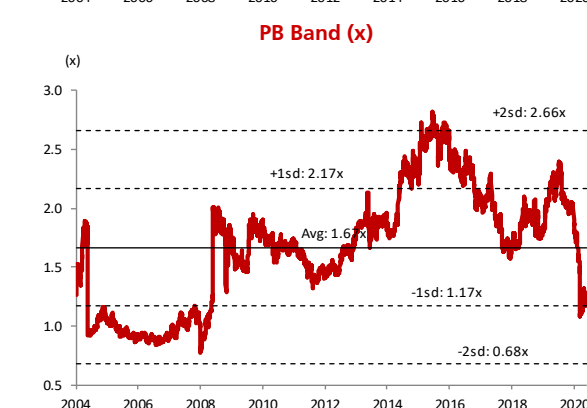
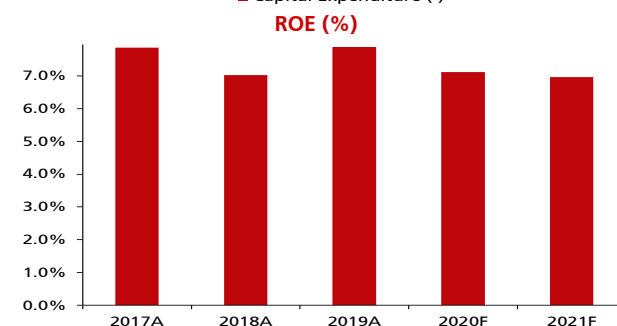
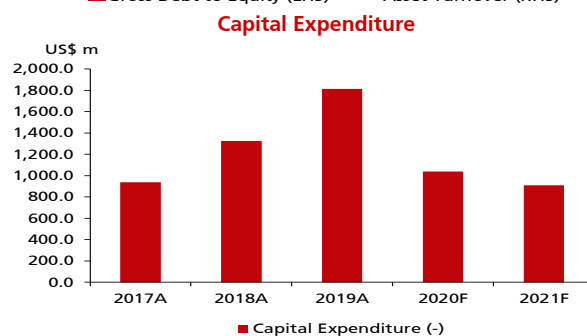
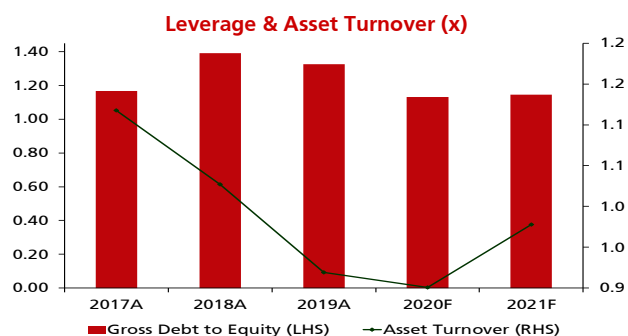
Key Risks:

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 Wilmar'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	28.6	28.9
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	0.99
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
Others	(1,238)	(1,185)	2,716	(2,652)	(2,789)
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	836	956
Sugar	(25)	(123)	4	12	13
Others	242	20	14	15	13
Others	184	250	599	240	233
Unallocated costs	184	250	599	240	233
Total	1,563	1,569	1,742	1,634	1,670
Pretax Margins (%)					
Tropical oils	2.4	3.3	3.9	3.1	2.6
Oilseeds & grains	3.7	3.8	2.9	4.2	4.4
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	4.0	3.8

Our segmental earnings forecast is still based on Wilmar's previous disclosure; we will update when we gather more information from quarterly and annual financial statements. This will enable us to reconcile the historical performance with new segmental divisions

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)	(37,009)	(39,623)
Gross Profit	3,767	4,390	4,486	3,918	4,278
Other Opnq (Exp)/Inc	(2,374)	(2,600)	(2,539)	(2,285)	(2,458)
Operating Profit	1,393	1,790	1,947	1,633	1,821
Other Non Opnq (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	228	310	153	274	274
Net Interest (Exp)/Inc	(253)	(352)	(417)	(273)	(424)
Exceptional Gain/(Loss)	194	(180)	59	0	0
Pre-tax Profit	1,563	1,569	1,742	1,634	1,670
Tax	(282)	(350)	(372)	(346)	(353)
Minority Interest	(85)	(95)	(77)	(72)	(81)
Preference Dividend	0	0	0	0	0
Net Profit	1,196	1,124	1,293	1,217	1,236
Net Profit before Except.	1,002	1,304	1,235	1,217	1,236
Net Pft (ex. BA gains)	1,203	1,145	1,273	1,217	1,236
EBITDA	2,397	2,933	2,978	2,769	3,006
Growth					
Revenue Gth (%)	5.2	2.1	(4.2)	(4.0)	7.3
EBITDA Gth (%)	10.8	22.4	1.6	(7.0)	8.5
Opq Profit Gth (%)	6.7	28.5	8.8	(16.1)	11.5
Net Profit Gth (%)	23.0	(6.0)	15.1	(5.9)	1.6
Margins & Ratio					
Gross Margins (%)	8.6	9.9	10.5	9.6	9.7
Opq Profit Margin (%)	3.2	4.0	4.6	4.0	4.1
Net Profit Margin (%)	2.7	2.5	3.0	3.0	2.8
ROAE (%)	7.9	7.0	7.9	7.1	7.0
ROA (%)	3.1	2.6	2.8	2.7	2.8
ROCE (%)	3.2	3.6	3.7	3.1	3.5
Div Payout Ratio (%)	39.2	43.5	45.0	45.0	45.0
Net Interest Cover (x)	5.5	5.1	4.7	6.0	4.3

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
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	2,564	3,000
Inventory	8,224	7,911	7,961	7,698	8,241
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	43,830	45,979
ST Debt	16,130	17,821	18,288	15,614	16,748
Creditor	2,893	3,356	4,140	2,883	3,087
Other Current Liab	663	1,664	567	522	525
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	17,411	18,098
Minority Interests	1,022	729	1,114	1,185	1,266
Put Equity Reserve	N/A	N/A	N/A	N/A	N/A
Total Cap. & Liab.	40,933	45,713	47,049	43,830	45,979
Non-Cash Wkg. Capital	14,491	16,108	15,122	15,861	17,014
Net Cash/(Debt)	(15,295)	(18,182)	(17,963)	(18,469)	(19,168)
Debtors Turn (avg days)	66.6	87.5	100.1	101.5	96.8
Creditors Turn (avg days)	29.5	29.0	36.7	35.5	28.1
Inventory Turn (avg days)	71.3	75.0	77.7	79.1	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	1.2
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	1,634	1,670
Dep. & Amort.	775	832	878	863	911
Tax Paid	(286)	(387)	(247)	(346)	(353)
Assoc. & JV Inc/(loss)	(228)	(310)	(153)	(274)	(274)
Chg in Wkg.Cap.	(1,728)	149	1,098	(693)	(1,156)
Other Operating CF	208	(352)	19	(58)	(9)
Net Operating CF	303	1,501	3,338	1,126	789
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)	(574)	(550)
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)	(3,210)	625
Currency Adjustments	0	0	0	0	0
Chg in Cash	(949)	412	676	(3,266)	347
Opg CFPS (\$ cts)	31.7	21.1	35.0	28.4	30.4
Free CFPS (\$ cts)	(9.9)	2.7	23.8	1.4	(1.9)

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 19	3.86	4.30	BUY
2:	15 Aug 19	3.78	4.25	BUY
3:	20 Aug 19	3.79	4.25	BUY
4:	12 Sep 19	3.86	4.25	BUY
5:	11 Nov 19	3.83	4.25	BUY
6:	14 Nov 19	4.00	4.35	BUY
7:	09 Dec 19	4.10	4.60	BUY
8:	21 Feb 20	4.11	4.60	BUY
9:	27 Mar 20	3.22	4.00	BUY
10:	12 May 20	3.82	4.00	BUY
11:	01 Jul 20	4.10	4.60	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 Aug 2020 18:18:45 (SGT)

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