

Singapore Company Update

Wilmar International

Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Nov 2020

BUY

Last Traded Price (30 Oct 2020): S\$4.04 (STI : 2,423.84)

Price Target 12-mth: S\$5.28 (31% upside)

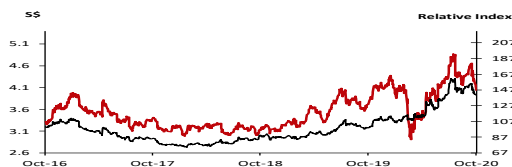
Analyst

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What's New

- Wilmar to maintain positive earnings momentum in 4Q20 and 2021
- Wilmar's valuation gap to YKA unlikely to sustain
- Special dividend to boost dividend yield to 4%-5%
- Maintain BUY with TP of S\$5.28

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2019A	2020F	2021F	2022F
Revenue	42,641	42,219	44,270	46,715
EBITDA	2,978	2,979	3,207	3,209
Pre-tax Profit	1,742	1,839	1,873	1,951
Net Profit	1,293	1,361	1,386	1,437
Net Pft (ex. BA gains)	1,273	1,361	1,386	1,437
Net Pft (Pre Ex.)	1,235	1,361	1,386	1,437
Net Pft Gth (Pre-ex) (%)	(5.3)	10.2	1.9	3.7
EPS (S cts)	27.6	29.0	29.6	30.7
EPS Pre Ex. (S cts)	26.3	29.0	29.6	30.7
EPS Gth Pre Ex (%)	(5)	10	2	4
Diluted EPS (S cts)	27.6	29.0	29.6	30.7
Net DPS (S cts)	12.4	13.1	13.3	13.8
BV Per Share (S cts)	358	374	391	408
PE (X)	14.6	13.9	13.7	13.2
PE Pre Ex. (X)	15.3	13.9	13.7	13.2
P/Cash Flow (X)	5.7	23.0	14.4	15.0
EV/EBITDA (X)	12.8	13.1	12.2	12.3
Net Div Yield (%)	3.1	3.2	3.3	3.4
P/Book Value (X)	1.1	1.1	1.0	1.0
Net Debt/Equity (X)	1.0	1.0	1.0	0.9
ROAE (%)	7.9	7.9	7.7	7.7
Earnings Rev (%)		12	12	N/A
Consensus EPS (S cts)		27.7	29.9	32.9
Other Broker Recs:		B: 12	S: 1	H: 1

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



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Growth outlook intact

Investment Thesis

Wilmar set to close the valuation gap with recently listed subsidiary Yihai Kerry Arawana (YKA). Wilmar's earnings growth momentum from both its China and ex. China operations should help Wilmar's share price to perform and close the valuation gap between recently listed China subsidiary YKA. YKA's current market capitalisation of US\$40bn is currently larger than Wilmar's US\$20bn, implying that investors are undervaluing Wilmar's presence in China, as well as its profitable integrated tropical oil business outside China.

Food demand to sustain its margin expansion trend. Wilmar's operating profit margin (OPM) has been expanding in the last three years and is expected to remain firm from its growing exposure to higher-margin branded kitchen food segment. Wilmar is expected to post sublime 2020 earnings performance mainly driven by YKA in China.

Riding on China's growing food industry. Based on current trends and that COVID-19 situation in China seems to be under control as well as a recovering economy, we do not expect domestic consumption of oilseeds and other products to derail its consumer products segment in the longer term.

Valuation:

We used sum-of-the-parts (SOTP) valuation methodology to arrive at a target price (TP) of S\$5.28, which implies 17.8x FY21F PE.

Where we differ:

Undemanding valuation for a strong earnings performer.

Wilmar has consistently posted US\$300m-400m earnings per quarter due to its strong presence in China and ex. China food and tropical oil industries.

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 China's economy and affect Wilmar's operations in China.

At A Glance

Issued Capital (m shrs)	6,361
Mkt. Cap (S\$m/US\$m)	25,697 / 18,806
Major Shareholders (%)	
Archer-Daniels-Midland Co	22.1
Kuok Brothers Sdn Bhd	18.4
Kerry Group Ltd	5.7
Free Float (%)	48.4
3m Avg. Daily Val (US\$m)	51.1
GIC Industry : Consumer Staples / Agricultural Products	



Live more, Bank less

WHAT'S NEW

Strong finish expected for 2020

3Q20 results – a winning streak

3Q20 core net profit was up 19.6% y-o-y/52.4% q-o-q to US\$501m. 9M20 core net profit rose to US\$1,137m (+34.4% y-o-y) – forming 93% of our full year earnings expectations. The strong performance was broad-based across all core segments, driven by stronger food products demand and higher crushing margins as the African Swine Fever (ASF) situation eased. Higher prices in the quarter also boosted the Plantation and Sugar Milling segment while refining margins for tropical oil and sugar refining remained robust.

YKA's performance was an important driver of Wilmar's 9M20 earnings. Revenue rose to RMB53.0bn (+12.7% y-o-y/+13.7% q-o-q) while attributable profit increased to RMB2.1bn (+16.2% y-o-y/+10.0% q-o-q) on steady development of Kitchen Food business and fading impact of ASF on Feed Ingredients business. YKA's reported net profit in 9M20 accounted for 64% of Wilmar's earnings.

Food Products (Consumer products, Medium pack and Bulk) – Insatiable demand powers growth

Sales of both Consumer Products, and Medium Pack and Bulk rose by 18.2% and 14.8% y-o-y in 3Q20 respectively. Consumer products demand was driven by increased sales volume of Sugar and Flour products and contributions from Goodman Fielder while Medium Pack and Bulk was led by easing of lockdown measures which likely saw Hotel, Restaurant, and Catering (HORECA) demand returning. Consumer products sales volumes grew 24.9% y-o-y to 7.2m MT in 9M20, while Medium Pack and Bulk sales volumes inched up 0.2% y-o-y to 12.5m MT on a strong post-lockdown recovery.

Raised earnings forecast on absence of capacity constraints

The strong set of 9M20 earnings performance prompted us to raise FY20/21 earnings by 12% each, driven by higher top line and profitability performance. We expect Wilmar's FY20F earnings to reach US\$1.36bn and further improve to US\$1.38bn in FY21. Our earnings forecast is largely in line with the consensus forecast, as we now expect that Wilmar can maintain strong refining margin performance despite our assumption of 4% y-o-y increase in CPO price next year to US\$617 per MT (RM2,540 per MT).

With its strong presence in China's food market and installed production capacity availability (average production plant utilisation stands at only 60% for YKA), we believe Wilmar will continue to benefit from China's improving economy as it seems to have successfully tamed COVID-19, while consumer preference for healthier and safer food is here to stay. Beyond China, the easing lockdown measures in some countries such as India and Indonesia also will help to boost its business in the region. Meanwhile, the current strong palm oil price trend will provide another leg of earnings growth for its tropical oil division. Wilmar has proven it can benefit from both upcycle and downcycle edible oil market trends to expand its tropical oil segment earnings.

Earnings delivery and dividend can lead to valuation re-rating

Wilmar's share price correction post YKA listing was odd in our view, considering the results are largely stronger than market estimates with q-o-q improvement since the beginning of the year. We believe the current share price valuation is undemanding, and just above its 5-year average multiple of 13.5x.

The correction, in our view, took place because Wilmar's PE multiple touched 16.3x, or +2 standard deviation of its 5-year average multiple in August-September before trading down to +1 standard deviation at around 14x-15x. In addition, Wilmar was also weighed down by the weak sentiment in the stock market in general.

As this juncture, the market is largely underestimating Wilmar's consumer downstream expansion journey and transformation in China under YKA, and its integrated tropical oil business model which should remain profitable across all edible oil market cycles as seen in 2018-1H19 (bear cycle) and 2H19/3Q20 (bull cycle). Wilmar's ROE is still hovering at the single digit level as it focuses on building up its capacity and platform. We believe it has scope to expand by capitalizing on these investments to expand its market share especially rice & flour, and grow the earnings in the next couple of years.

Wilmar International

Wilmar is more affordable and liquid vs YKA; and we cannot underestimate its presence outside China too

YKA's share price is already 50% higher than its listing price, and is trading at 40x FY21F PE. YKA's market capitalization is now at US\$40bn while Wilmar's is just half of that at US\$18bn. In terms of trading liquidity, YKA only floated 10% new shares but the implied conglomerate discount of almost 50% on Wilmar is too wide considering Wilmar still owns 90% of YKA, and ex. YKA business segment has been performing well.

The market appetite towards the stock should regain traction if Wilmar continues to post strong earnings. Wilmar has posted decent earnings performance since 2Q19, and is less impacted by the volatility in the commodities price cycle. As Wilmar continues to deliver consistent earnings like in 3Q20, its ROE is also likely to improve to above 9% vs. our current forecast of 7.7% in 2021-2022.

Wilmar announced a special dividend 15% of its total net proceeds of US\$2.05bn, or U\$300m. With a regular payout ratio of 46% and 9M20 earnings of US\$1.15bn, we estimate Wilmar's dividend yield could reach at least 4%-5% this year (13 cents-15 Scents regular dividend based on 45% payout assumption as per our forecast, plus around 6 Scents of special dividend). This is a good start to show investors that YKA's IPO can deliver tangible value to investors in terms of higher dividend prospects as Wilmar frees up some cash, which we estimate could reach US\$400m-500m per annum for inorganic growth, or higher dividend payout ratio for Wilmar's investors.

Maintain BUY and TP S\$5.28 – valuation is undemanding for a strong earnings performer

We maintain our BUY rating with TP of S\$5.28. We believe Wilmar is considerably undervalued against its recently listed China subsidiary Yihai Kerry Arawana (YKA) judging from both market capitalization difference and Wilmar's strong set of earnings – this means the market couldn't strip out the ex. China operation in Wilmar's valuation, as its till performing very well.

We shift our valuation base to FY21, and we peg Wilmar's ex. YKA earnings (YKA accounts for 40% of Wilmar's consolidated FY21F earnings) at 15x PE vs. YKA's 19x FY21F PE. We believe our assumptions are conservative, as our target multiple for YKA is at around 50% discount to YKA's existing PE multiple of 38x-40x, while ex. YKA earnings PE multiple is largely in line with Wilmar's 5-year average PE multiple.

We also believe that Wilmar's businesses beyond China is underestimated such as its integrated tropical oil segment that has upstream and downstream products such as biodiesel and branded cooking oil. YKA has 11m tons of edible oil refining capacity and is operating at a 60% utilization rate, while Wilmar's tropical oil segment reported sales volume of 25m tons in 2019 – we believe this division is underpriced for now despite its strong earnings performance to date.

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.

Quarterly / Interim Income Statement (US\$m)

	3Q2020	2Q2020	3Q2019	y-o-y	q-o-q	9M2020	9M2019	y-o-y
	US\$m	US\$m	US\$m	change	Change	US\$m	US\$m	Change
Revenue	13,318	11,737	11,164	19.3%	13.5%	35,975	31,390	14.6%
EBITDA	1,088	782	908	19.8%	39.2%	2,576	2,095	23.0%
Net Profit	537	387	389	37.9%	38.7%	1,147	855	34.2%
Core Net Profit	501	329	419	19.7%	52.2%	1,137	846	34.4%
EBITDA	8.2%	6.7%	8.1%			7.2%	6.7%	
Net Profit	4.0%	3.3%	3.5%			3.2%	2.7%	
Core Net Profit	3.8%	2.8%	3.8%			3.2%	2.7%	
Sales Statistics ('000MT)								
<i>Food Products</i>								
Consumer Products	2,454	1,871	2,077	18.2%	31.2%	7,180	5,750	24.9%
Medium Pack and Bulk	4,964	4,223	4,324	14.8%	17.5%	12,502	12,473	0.2%
<i>Feed and Industrial Products</i>								
Tropical Oils	5,603	5,477	6,059	-7.5%	2.3%	16,317	17,673	-7.7%
Oilseeds and Grains	6,309	5,902	5,099	23.7%	6.9%	16,491	13,478	22.4%
Sugar	4,543	3,367	3,015	50.7%	34.9%	9,992	7,080	41.1%
Yihai Kerry Arawana (RMBm)								
Revenue	53,020	46,632	47,057	12.7%	13.7%	139,993	125,318	11.7%
Profit attributable to owners of the company	2,082	1,892	1,792	16.2%	10.0%	5,090	3,489	45.9%
Profit attributable to owners of the company less non-recurring gains and losses	3,398	1,664	1,523	123.1%	104.2%	6,261	2,904	115.6%

Source : Company, DBS Bank

DBS Wilmar's sum of parts valuation summary

Ex. China NPATMI	China NPATMI	Blended PE (X)	DBS Wilmar 2021 NPATMI (US\$m)	Wilmar US\$ Market Cap (US\$m)	Wilmar S\$ Market Cap (S\$m)	Share price (S\$)
40%	60%					
15	8.3	11.0		15,176.70	20,884.70	3.30
15	9.3	11.6		16,008.30	22,029.07	3.48
15	10.3	12.2		16,839.90	23,173.43	3.66
15	11.3	12.8		17,671.50	24,317.80	3.84
15	12.3	13.4		18,503.10	25,462.17	4.02
15	13.3	14.0		19,334.70	26,606.54	4.20
15	14.3	14.6		20,166.30	27,750.90	4.38
15	15.3	15.2		20,997.90	28,895.27	4.56
15	16.3	15.8	1,386.0	21,829.50	30,039.64	4.74
15	17.3	16.4		22,661.10	31,184.00	4.92
15	18.3	17.0		23,492.70	32,328.37	5.10
15	19.3	17.6		24,324.30	33,472.74	5.29
15	20.3	18.2		25,155.90	34,617.10	5.47
15	21.3	18.8		25,987.50	35,761.47	5.65
15	22.3	19.4		26,819.10	36,905.84	5.83
15	23.3	20.0		27,650.70	38,050.21	6.01
15	24.3	20.6		28,482.30	39,194.57	6.19

Source : DBS Bank

SGD/USD 1.37

Shares Outstanding 6,333m shares

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

Wilmar International

Peers comparison table – China food processors and consumer companies

			PE			EV/EBITDA		ROE	
			FY20	FY21	FY22	FY20	FY21	FY22	12M Trailing
Meat processors, agriculture crushing	COFCO Meat	1610 HK Equity	3.0	2.7	3.2	6.7	6.9	7.6	54.9
	China Food	506 HK Equity	13.6	11.4	9.8	5.7	5.0	4.3	10.0
DBS assumption	Wilmar International Ltd*	WIL SP Equity	13.9	13.7	13.2	13.1	12.2	12.3	9.2
	Yihai Kerry Arawana	300999 CS Equity	20.0	19.0	18.6				8.7
Consumer staples	Tingyi	322 HK Equity	17.8	17.6	16.2	6.8	6.8	6.4	22.6
	Uni-President	220 HK Equity	16.9	15.8	14.7	7.1	6.8	6.4	10.8
	Want Want	151 HK Equity	13.9	13.3	12.6	7.6	7.4	7.2	23.8
Condiment & soysauce producer	Foshan Haitian	603288 CH Equity	79.8	67.0	56.9	66.1	55.1	46.4	36.6

Source: Bloomberg Finance L.P.

* Wilmar's multiple is based on DBS earnings forecast, while we do not forecast YKA EV at the moment

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

Peers comparison table – DBS plantation universe

	Est. land bank (ha.)	20F own mat. (ha.)	20F own planted (ha.)	Share price 01-November-2020	Market cap (m)	Adjusted plantation EV (m)	Adjusted 20F EV/planted (own)	Adjusted 20F EV/mature (own)	CY PER, x	FY Div. yield, %	EPS growth (inc. BA gains), %		FY Net gearing, %		FYEV/EBITDA, x		19-21F own FFB vol CAGR %	19-21F EPS CAGR %	12-month Rec target price	Basis			
											20F	21F	20F	21F	20F	21F					20F	21F	
Indonesia																							
Astra Agro L.	n/a	220,501	236,311	Rp	10,875 US\$	1,431 US\$	1,885 US\$	7,976 US\$	8,548	23.2	20.9	0.4	1.6	327	11	13	9	8.1	8.1	-2.7	117.6	H Rp 10,400	DCF
London Sum.*	215,917	87,917	97,032	Rp	980 US\$	457 US\$	380 US\$	3,914 US\$	4,320	25.3	19.6	1.5	1.6	4	29	NC	NC	16.7	11.2	1.2	15.8	B Rp 1,150	DCF
Simple avg					US\$ 1,888		US\$ 5,945	US\$ 6,434	24.2	20.3								12.4	9.6				
Malaysia																							
Felda Global V.	355,864	285,638	338,161	RM	1.06 US\$	931 US\$	2,575 US\$	7,613 US\$	9,013	65.3	25.8	0.9	1.3	NM	NM	93	100	10.8	9.6	2.5	24.2	B RM 1.45	DCF
Genting Plant.	150,912	119,794	151,052	RM	9.82 US\$	2,120 US\$	2,326 US\$	15,396 US\$	19,414	41.6	31.0	0.6	0.8	49	34	27	27	22.1	18.3	0.2	197.0	H RM 9.35	SOP
IOI Corp**	220,593	158,081	178,162	RM	4.30 US\$	6,484 US\$	5,588 US\$	31,364 US\$	35,348	117.4	69.3	1.8	1.3	-28	69	27	24	22.8	18.8	-1.1	55.3	H RM 4.35	DCF
KL Kepong	245,905	186,645	224,712	RM	21.22 US\$	5,507 US\$	4,718 US\$	20,994 US\$	25,276	37.8	33.8	1.3	1.8	38	12	20	17	14.7	13.4	3.3	5.4	B RM 27.00	DCF
SD Plant.	647,373	494,546	599,992	RM	4.84 US\$	8,018 US\$	9,346 US\$	15,576 US\$	18,897	104.1	61.2	0.7	1.0	418	70	45	43	15.9	12.6	1.6	19.8	B RM 5.80	SOP
TSH Res.	82,841	34,627	44,193	RM	0.94 US\$	311 US\$	570 US\$	12,908 US\$	16,473	20.3	13.7	0.8	1.2	63	48	83	74	10.7	8.9	4.5	n.a	B RM 1.25	DCF
Simple avg					US\$ 23,370		US\$ 17,309	US\$ 20,737	64.4	39.1								16.2	13.6				
Singapore																							
Bumitama A.	191,561	120,689	132,643	S\$	0.44 US\$	554 US\$	1,034 US\$	7,794 US\$	8,567	9.9	9.5	5.4	5.4	6	4	60	35	8.7	7.0	5.2	5.4	B S\$ 0.66	DCF
First Resource	312,488	169,987	184,072	S\$	1.21 US\$	1,399 US\$	1,671 US\$	9,077 US\$	9,829	11.5	10.7	2.4	2.1	33	8	19	15	6.3	6.0	3.1	19.8	B S\$ 1.70	DCF
Indofood Agri*	541,224	208,695	249,267	S\$	0.29 US\$	292 US\$	680 US\$	2,729 US\$	3,260	14.8	10.3	0.0	0.0	NM	NM	45	42	8.3	7.3	1.8	40.6	H S\$ 0.33	DCF
Wilmar Intl	573,401	221,911	249,935	S\$	4.04 US\$	18,805 US\$	1,865 US\$	7,464 US\$	8,406	13.5	13.3	3.1	3.2	5	2	100	97	13.1	12.2	1.6	3.5	B S\$ 5.28	SOTP
Simple avg					US\$ 22,360		US\$ 7,652	US\$ 8,174	11.3	10.9								7.3	6.5				

*Including rubber and other crops

**Excluding effective stake in associates land bank

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

Wilmar International

We believe the market is mispricing Wilmar's transformation into an integrated food company



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



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

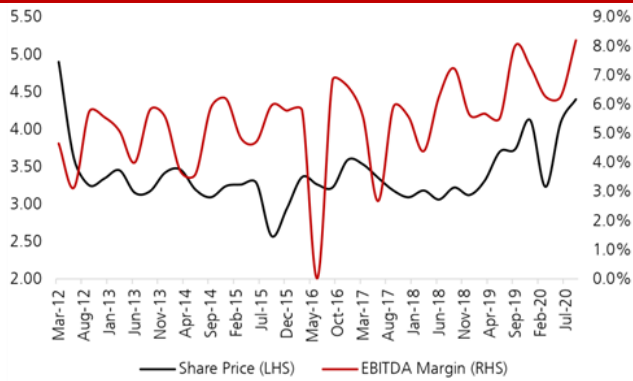
Quarterly sales statistics based on new segmental disclosure

Sales Statistics ('000MT)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
<i>Food Products</i>							
Consumer Products	2,118	n.a	2,077	n.a	2,855	1,871	2,454
Medium Pack and Bulk	4,144	n.a	4,324	n.a	3,315	4,223	4,964
<i>Feed and Industrial Products</i>							
Tropical Oils	5,812	n.a	6,059	n.a	5,237	5,477	5,603
Oilseeds and Grains	3,649	n.a	5,099	n.a	4,280	5,902	6,309
Sugar	2,146	n.a	3,015	n.a	2,082	3,367	4,543

Source: Company, DBS Bank

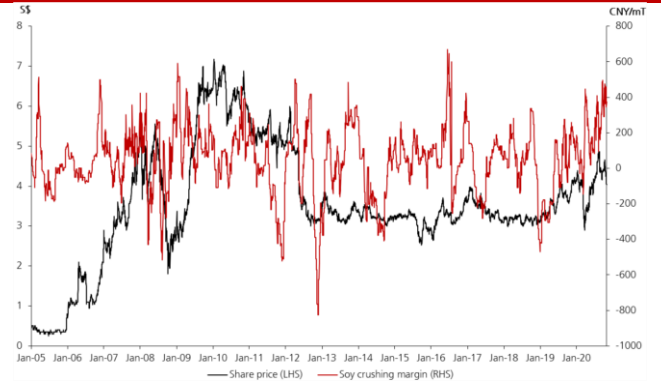
Wilmar International

EBITDA margin improvement to support share price performance



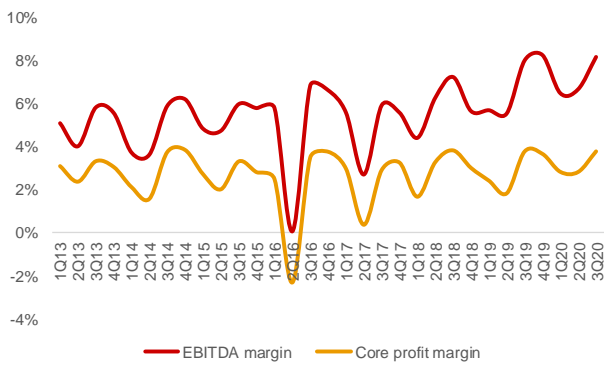
Source: Company, DBS Bank

China's crushing margin trend vs. share price



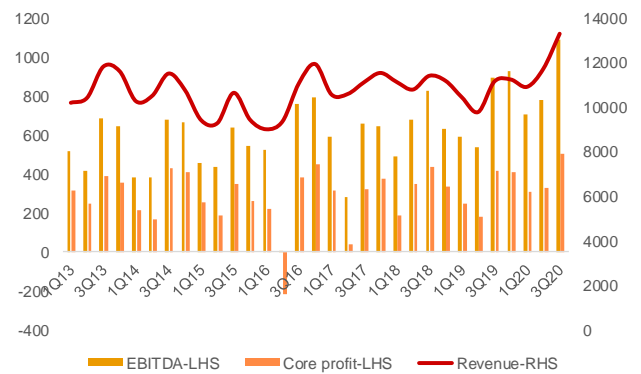
Source: Company, DBS Bank

Consistent margin expansion since 2Q16 low



Source: Company, DBS Bank

Earnings performance to support valuation re-rating to consumer territory for Wilmar



Source: Company, DBS Bank

Wilmar International

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
CPO price (RM/MT)	2,340	2,090	2,450	2,540	2,560
Oilseeds & grains pretax	23.9	17.5	27.6	29.9	32.0
Tropical oils pretax	21.9	24.1	27.6	25.6	22.0
Sugar pretax (US\$/MT)	(10.48)	0.34	0.94	1.03	2.75
Oil palm planted area	244,935	249,935	254,935	259,935	264,935

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (US\$ m)					
Tropical oils	16,766	15,350	17,157	17,658	17,809
Oilseeds & grains	23,035	18,386	21,213	22,300	24,086
Sugar	3,585	4,033	4,240	4,731	5,266
Others	2,297	2,155	2,260	2,371	2,487
Elimination	(1,185)	2,716	(2,652)	(2,789)	(2,932)
Total	44,498	42,641	42,219	44,270	46,715
Pretax (US\$ m)					
Tropical oils	547	597	678	627	538
Oilseeds & grains	875	528	895	989	1,147
Sugar	(123)	4	12	14	39
Others	20	14	15	13	14
Unallocated costs	250	599	239	231	213
Total	1,569	1,742	1,839	1,873	1,951
Pretax Margins (%)					
Tropical oils	3.3	3.9	4.0	3.5	3.0
Oilseeds & grains	3.8	2.9	4.2	4.4	4.8
Sugar	(3.4)	0.1	0.3	0.3	0.7
Others	0.9	0.6	0.6	0.6	0.6
Total	3.5	4.1	4.4	4.2	4.2

Income Statement (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	44,498	42,641	42,219	44,270	46,715
Cost of Goods Sold	(40,107)	(38,154)	(38,010)	(39,768)	(42,084)
Gross Profit	4,390	4,486	4,209	4,502	4,631
Other Opnq (Exp)/Inc	(2,600)	(2,539)	(2,366)	(2,481)	(2,619)
Operating Profit	1,790	1,947	1,843	2,022	2,011
Other Non Opnq (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	310	153	274	274	249
Net Interest (Exp)/Inc	(352)	(417)	(278)	(422)	(310)
Exceptional Gain/(Loss)	(180)	59	0	0	0
Pre-tax Profit	1,569	1,742	1,839	1,873	1,951
Tax	(350)	(372)	(389)	(396)	(413)
Minority Interest	(95)	(77)	(89)	(91)	(101)
Preference Dividend	0	0	0	0	0
Net Profit	1,124	1,293	1,361	1,386	1,437
Net Profit before Except.	1,304	1,235	1,361	1,386	1,437
Net Pft (ex. BA gains)	1,145	1,273	1,361	1,386	1,437
EBITDA	2,933	2,978	2,979	3,207	3,209
Growth					
Revenue Gth (%)	2.1	(4.2)	(1.0)	4.9	5.5
EBITDA Gth (%)	22.4	1.6	0.0	7.6	0.1
Opq Profit Gth (%)	28.5	8.8	(5.4)	9.7	(0.5)
Net Profit Gth (%)	(6.0)	15.1	5.2	1.9	3.7
Margins & Ratio					
Gross Margins (%)	9.9	10.5	10.0	10.2	9.9
Opq Profit Margin (%)	4.0	4.6	4.4	4.6	4.3
Net Profit Margin (%)	2.5	3.0	3.2	3.1	3.1
ROAE (%)	7.0	7.9	7.9	7.7	7.7
ROA (%)	2.6	2.8	3.0	3.0	3.0
ROCE (%)	3.6	3.7	3.5	3.8	3.6
Div Payout Ratio (%)	43.5	45.0	45.0	45.0	45.0
Net Interest Cover (x)	5.1	4.7	6.6	4.8	6.5

Source: Company, DBSVI, DBS Bank

Wilmar International
Balance Sheet (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	9,345	9,851	9,908	9,841	9,693
Invt in Associates & JVs	3,715	3,103	3,377	3,651	3,900
Other LT Assets	6,362	8,520	8,716	8,863	9,014
Cash & ST Invt	5,163	5,745	2,737	3,279	3,944
Inventory	7,911	7,961	7,906	8,272	8,753
Debtors	11,868	11,530	11,583	12,146	12,817
Other Current Assets	1,348	339	339	339	339
Total Assets	45,713	47,049	44,566	46,390	48,461
ST Debt	17,821	18,288	16,106	16,889	17,822
Creditor	3,356	4,140	2,961	3,098	3,278
Other Current Liab	1,664	567	540	544	551
LT Debt	5,523	5,419	5,419	5,419	5,419
Other LT Liabilities	574	758	796	836	877
Shareholder's Equity	16,046	16,763	17,540	18,311	19,119
Minority Interests	729	1,114	1,203	1,294	1,394
Put Equity Reserve	N/A	N/A	N/A	N/A	N/A
Total Cap. & Liab.	45,713	47,049	44,566	46,390	48,461
Non-Cash Wkg. Capital	16,108	15,122	16,327	17,115	18,080
Net Cash/(Debt)	(18,182)	(17,963)	(18,789)	(19,029)	(19,297)
Debtors Turn (avg days)	87.5	100.1	99.9	97.8	97.5
Creditors Turn (avg days)	29.0	36.7	34.9	28.5	28.3
Inventory Turn (avg days)	75.0	77.7	78.0	76.0	75.5
Asset Turnover (x)	1.0	0.9	0.9	1.0	1.0
Current Ratio (x)	1.2	1.1	1.2	1.2	1.2
Quick Ratio (x)	0.7	0.8	0.7	0.8	0.8
Net Debt/Equity (X)	1.1	1.0	1.0	1.0	0.9
Net Debt/Equity ex MI (X)	1.1	1.1	1.1	1.0	1.0
Capex to Debt (%)	5.7	7.6	4.8	4.1	3.7
Z-Score (X)	2.0	1.9	2.0	2.0	2.0

Source: Company, DBSVI, DBS Bank

Wilmar International

Cash Flow Statement (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	1,569	1,742	1,839	1,873	1,951
Dep. & Amort.	832	878	863	911	948
Tax Paid	(387)	(247)	(389)	(396)	(413)
Assoc. & JV Inc/(loss)	(310)	(153)	(274)	(274)	(249)
Chg in Wkg.Cap.	149	1,098	(1,178)	(792)	(972)
Other Operating CF	(352)	19	(39)	(10)	(6)
Net Operating CF	1,501	3,338	822	1,313	1,259
Capital Exp.(net)	(1,325)	(1,813)	(1,039)	(910)	(861)
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	(44)	126	(144)	(157)	(171)
Net Investing CF	(1,370)	(1,687)	(1,182)	(1,067)	(1,032)
Div Paid	(495)	(462)	(589)	(615)	(629)
Chg in Gross Debt	819	794	(2,182)	783	933
Capital Issues	3	31	0	0	0
Other Financing CF	(46)	(1,338)	38	40	42
Net Financing CF	281	(975)	(2,733)	207	345
Currency Adjustments	0	0	0	0	0
Chg in Cash	412	676	(3,093)	454	571
Opg CFPS (S cts)	21.1	35.0	31.2	32.9	34.8
Free CFPS (S cts)	2.7	23.8	(3.4)	6.3	6.2

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Nov 19	3.83	4.25	BUY
2:	14 Nov 19	4.00	4.35	BUY
3:	09 Dec 19	4.10	4.60	BUY
4:	21 Feb 20	4.11	4.60	BUY
5:	27 Mar 20	3.22	4.00	BUY
6:	12 May 20	3.82	4.00	BUY
7:	01 Jul 20	4.10	4.60	BUY
8:	12 Aug 20	4.79	5.28	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: 2 Nov 2020 18:11:21 (SGT)

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