MARKET NEWS

US stocks were lower after the close on Tuesday, as losses in the consumer discretionary, technology and industrials sectors led shares lower. At the close of the NYSE, the DJIA fell 2.06% while the S&P 500 index was down by 2.00%, and the NASDAQ Composite index slid 2.50%. Falling stocks outnumbered advancing ones on the NYSE by 2,721 to 384 and 69 ended unchanged; on the Nasdaq Stock Exchange, 3,715 declined and 880 advanced, while 167 ended unchanged. (Source: WSJ, CNBC)

During the last trading session, the FSSTI index fell 1.89pt to 3,306.86. Among the top active stocks were Sembcorp Marine (+10.4%), Yangzijiang Shipbuilding (+2.3%), Genting Singapore (+1.0%), Frencken (+0.9%) and Dyna-Mac (+1.6%). The FTSE ST Mid Cap index rose 0.4% while the FTSE ST Small Cap Index was down 0.7%. The broader market saw 241 gainers and 240 losers with total trading value of S$781.4m.

WHAT'S IN THE PACK

Singapore Results Updates:

Sembcorp Industries - 2022: Strong results with both conventional energy and renewables segments continuing to outperform. Maintain BUY and raise target price to S$4.57 from S$4.10 previously.

(SCI SP / BUY / S$3.76 / Target: S$4.57)

SCI reported stronger-than-expected net profit for 2022 with the highlights being its conventional energy segment as well as contribution from its new renewable assets in China…

Wilmar International - 2022: Results within expectation. Lower contribution from China offset by strong performance from tropical oil and sugar. Declares final dividend of S$0.11/share.

(WIL SP / BUY / S$3.98 / Target: S$5.50)

Wilmar reported 2022 core net profit of US$2,244m (+22%yoy), which is its second consecutive year of record-high profit. This is within our expectations, with its strong feed and industrial segments backed by strong sales volume…

Singapore Post - 3QFY23: In line, but headwinds persist.

(SPOST SP / HOLD / S$0.54 / Target: S$0.60)

SPOST reported higher 3QFY23 revenue (+13.4% yoy) but weaker operating profit (-9.7% yoy). The domestic postal segment continued its downtrend as postal volumes fell…

Singapore Technical Analysis:

Frencken Group (FRKN SP) - Trading BUY

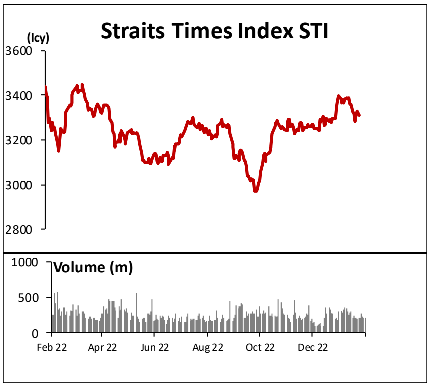
Price is trading far above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD remains bullish and a bullish crossover is likely…

Parkway Life Real Estate Investment Trust (PREIT SP) - Trading BUY

Price managed to stay above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD is bullish and the histogram is strengthening…

Get up to speed by learning from our experts - Sign up for a seminar today!

PRICE CHART



KEY INDICES

	Prev Close	1D %	YTD %
DJIA	33826.7	0.4	2.0
S&P 500	4079.1	(0.3)	6.2
FTSE 100	8014.3	0.1	7.5
AS30	7552.5	0.0	4.6
CSI 300	4133.5	2.5	6.8
FSSTI	3308.8	(0.6)	1.8
HSCEI	7063.9	1.0	5.4
HSI	20887.0	0.8	5.6
JCI	6894.7	(0.0)	0.6
KLCI	1473.5	(0.2)	(1.5)
KOSPI	2455.1	0.2	9.8
Nikkei 225	27531.9	0.1	5.5
SET	1657.7	0.4	(0.7)
TWSE	15551.2	0.5	10.0
BDI	552	2.6	(63.6)
CPO (RM/mt)	3998	2.2	(1.2)
Brent Crude (US$/bbl)	84	1.0	(2.5)

Source: Bloomberg

TOP VOLUME

Company	Price (S$)	Chg (%)	Volume ('000s)
Sembcorp Marine	0.13	10.3	592,320
Genting Singapore	1.01	1.0	48,685
ESR-LOGOS REIT	0.33	0.0	30,310
Yangzijiang Shipbuilding	1.31	2.3	20,329
CapitaLand Integrated Comm	1.95	0.0	16,599

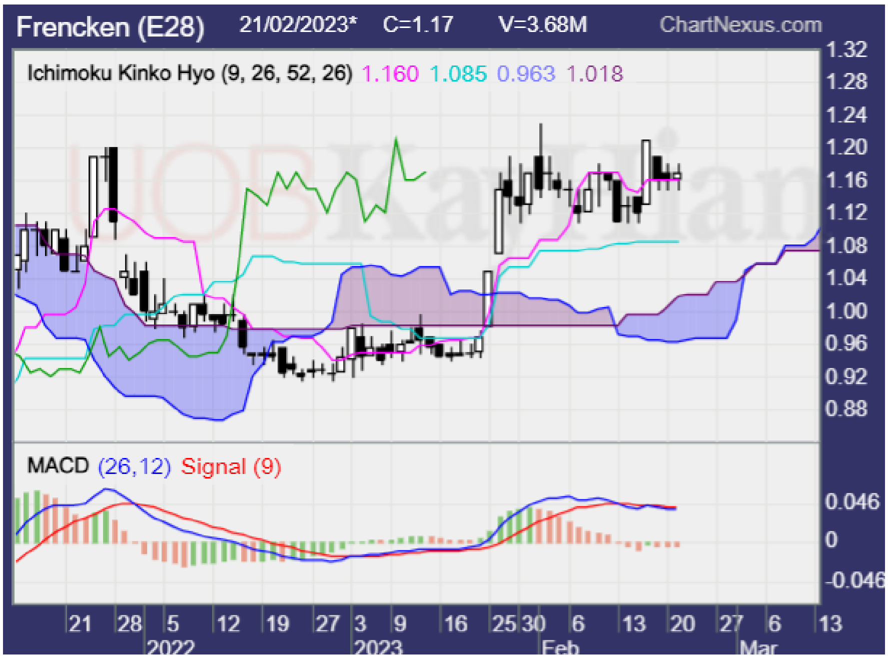
TOP GAINERS

Company	Price (S$)	Chg (%)	Volume ('000s)
Sembcorp Marine	0.13	10.3	592,320
SRI Trang Agro-Industry	1.00	3.1	24
Far East Hospitality Trust	0.64	2.8	1,596
Yangzijiang Shipbuilding	1.31	2.3	20,329
Riverstone Holdings	0.68	2.3	1,318

TOP LOSERS

Company	Price (S$)	Chg (%)	Volume ('000s)
Cromwell REIT EUR	1.60	(7.0)	491
Cromwell REIT SGD	2.31	(3.8)	34
CapitaLand India Trust	1.14	(2.6)	4,917
SIA Engineering Co	2.23	(2.2)	1,361
CapitaLand Ascott Trust	1.03	(1.9)	9,971

TRADERS' CORNER



Frencken Group (FRKN SP)

Trading Buy Range: S$1.17-1.18

Last price: S$1.17

Target price: S$1.40

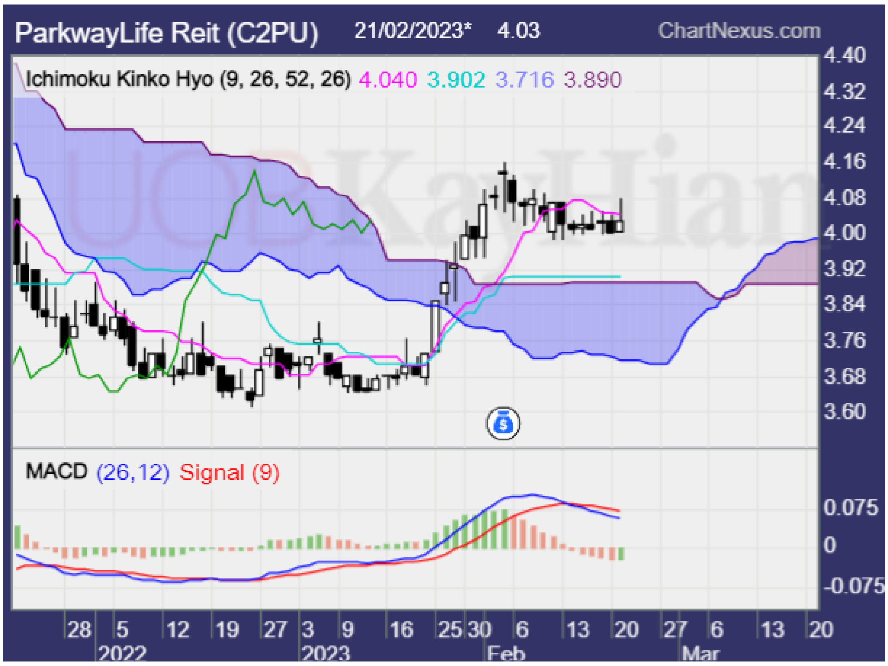
Protective stop: S$1.10

Price is trading far above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD remains bullish and a bullish crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S$1.40. Stop-loss could be placed at S$1.10.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$1.36.



Parkway Life Real Estate Investment Trust (PREIT SP)

Trading Buy Range: S$4.03-4.05

Last price: S$4.03

Target price: S$4.33

Protective stop: S$3.95

Price managed to stay above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. MACD is bullish and the histogram is strengthening. These could increase chances of the stock price moving higher.

The potential upside target is S$4.33. Stop-loss could be placed at S$3.95.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S$4.13.

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FROM THE REGIONAL MORNING NOTES...

Sembcorp Industries (SCI SP)

2022: Strong Results With Both Energy Segments Continuing To Outperform

SCI reported stronger-than-expected net profit for 2022 with the highlights being its conventional energy segment as well as contribution from its new renewable assets in China. In our view, SCI is likely to undertake more M&As in the renewables space in 2023 as it has S$3.7b to capitalise on such opportunities – this could drive share price performance. Maintain BUY. Raise target price to S$4.57 (S$4.10 previously).

2022 RESULTS

Year to 31 Dec (S$m)	2021A*	2022A	yoy % chg	Remarks
Revenue	6408	7825	22.1%	- Driven by conventional energy and
EBIT	670	728	8.7%	renewables
Pre-tax profit	274	865	215.7%	
Net profit from continuing ops	151	727	381.5%	- Due to completion of renewables
Exceptional items	-193	-35	-81.9%	acquisitions and higher margins
Net profit before exceptional items	130	704	NM	
EBIT margin	10.5%	9.3%	-1.2	
Net profit (continuing ops) margin	2.0%	9.0%	7.0	

*Note: * Comparative financial information for 2021 presented excludes Sembcorp Energy India Ltd; sale completed on 19 Jan 23*
Source: Sembcorp Industries, UOB Kay Hian

RESULTS

- **Above expectations.** Sembcorp Industries (SCI) reported better-than-expected 2022 results with revenue from continuing operations up 22% yoy and net profit from continuing operations (before exceptional) up nearly four-fold to S$727m. The robust yoy performance was due to the renewables and conventional energy business segments, both of which registered >100% yoy net profit increases.

- **Dividends in line with expectations.** As a result of the strong numbers, the company declared a final dividend of S$0.04 as well as a special dividend of S$0.04. As a result, its full-year DPS of S$0.12 was in line with our expectations and represented slightly more than a 30% payout ratio.

- **Renewables segment the key highlight.** Net profit before exceptional items for the Renewables segment jumped 150% to S$140m on the back of SCI's new acquisitions, namely: a) Shenzhen Huiyang New Energy (HYNE), and b) 35%-owned SDIC New Energy. In addition, higher power prices for the company's solar assets boosted its renewables' bottom line. To recap, SCI acquired 3.6GW of renewables capacity through acquisitions and organic growth across key markets, resulting in 9.8GW of renewables capacity as at end-22.

KEY FINANCIALS

Year to 31 Dec (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	7,795	7,825	7,465	7,668	7,855
EBITDA	1,127	1,185	1,224	1,141	905
Operating profit	670	728	757	664	418
Net profit (rep./act.)	279	704	658	662	563
Net profit (adj.)	279	704	658	662	563
EPS (S$ cent)	15.4	38.6	35.4	35.6	30.2
PE (x)	24.3	9.7	10.6	10.6	12.4
P/B (x)	1.8	1.7	1.5	1.4	1.3
EV/EBITDA (x)	9.1	8.7	8.4	9.0	11.4
Dividend yield (%)	1.3	3.2	2.9	2.9	2.5
Net margin (%)	3.6	9.0	8.8	8.6	7.2
Net debt/(cash) to equity (%)	160.5	146.2	74.5	64.7	56.4
Interest cover (x)	1.7	2.7	2.8	2.4	1.5
ROE (%)	7.9	18.2	15.6	14.1	10.9
Consensus net profit	-	-	671	666	-
UOBKH/Consensus (x)	-	-	0.98	0.99	-

Source: Sembcorp Industries, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **High but manageable debt levels.** During the analyst briefing, management stated that it will look to reduce its reliance on project finance (2022: 16% of total debt) and instead increase corporate loans, especially green and sustainability loans. In 2022, SCI issued a S$300m sustainability-linked bond as well as S$1.8b of green and sustainability-linked loan facilities. In total, the company has raised S$3.3b of funding from green and sustainability-linked borrowings in the past 24 months.

- **Highly likely to see more M&A activity in 2023.** SCI highlighted that it has around S$3.7b of 'dry powder' to capitalise on M&A opportunities, particularly in the renewables sector and emphasised that it will not look to equity markets for funding. The company also did not hesitate to caution that the M&A landscape has become more competitive in the past 6-9 months as global travel has resumed in earnest, and that it will maintain strict discipline and not chase after megawatts.

- **Longer-term growth plans in green hydrogen production.** During the analyst briefing, SCI highlighted hydrogen projects as growth areas, which could lead the company into the Middle East and Australia. We note that in 4Q22, SCI entered into strategic partnerships with the Japanese government and various companies to explore hydrogen and other decarbonisation initiatives. These include: a) an MOU with Japan Bank for International Cooperation (JBIC) to assist SCI in its hydrogen project, b) MOU with Sojitz Corporation for green hydrogen production, battery energy storage and net zero industrial parks, and c) MOU with IHI Corporation to build out an integrated green ammonia supply chain.

EARNINGS REVISION/RISK

- **Significant earnings upgrades.** We have upgraded earnings by 21% and 17% for 2023 and 2024 respectively on the back of our expectation of higher earnings from SCI's conventional energy segment. We were admittedly very conservative with SCI's 2023 and 2024 earnings estimates as we had believed that its higher-than-normal conventional energy earnings from 2021 and 2022 could not be sustained. However, it would appear that the high margins generated in this segment will remain for a while longer given current energy market conditions. During the analyst briefing, we came away with the impression that management is quietly confident about its business prospects in 2023.

VALUATION/RECOMMENDATION

- **We reiterate our BUY recommendation on SCI with an upgraded PE-based target price of S$4.57 (previously S$4.10)** on the back of our EPS upgrades outlined above. Our target price utilises a target PE multiple of 12.7x which is +1SD above the company's past five-year average PE of 9.4x. We highlight that SCI generated ROE of nearly 22% in 2022 and given that this was generated by assets that are on average five years old, this level of ROE should be sustainable. In our view, SCI remains inexpensive as it trades at a 11-27% discount to its global utilities peers' average 2023F PE, EV/EBITDA and P/B of 14.5x, 9.4x and 1.7x respectively.

SHARE PRICE CATALYST

- Sustained economic recovery post COVID-19, thus leading to increased energy and utilities usage.

- Further earnings-accretive acquisitions in the renewables space.

- Potential of increasing targets for gross renewables capacity.

FROM THE REGIONAL MORNING NOTES…

Singapore Post (SPOST SP)

3QFY23: In Line But Headwinds Persist

SPOST reported higher 3QFY23 revenue (+13.4% yoy) but weaker operating profit (-9.7% yoy). The domestic postal segment continued its downtrend as postal volumes fell. As a proxy to China's reopening, the international postal segment would benefit from lower air freight costs. Revenue from the logistics segment grew, driven by the consolidation of FMH, while the property segment remained stable. As SPOST faces headwinds for most segments, maintain HOLD with a higher target price of S$0.60.

3QFY23 BUSINESS UPDATE

Year to 31 Mar (S$m)	3QFY23	yoy % chg	qoq % chg	9MFY23	yoy % chg	Remarks
Domestic Post & Parcel						
- Letters & printed papers (m items)	102.1	(5.5)	3.5	301.1	(3.2)	Continued secular decline.
E-commerce related						
- Domestic Post & Parcel E-commerce (m items)	7.9	(47.8)	(3.7)	23.8	(37.9)	Major customer loss in 4QFY22.
- International Post & Parcel (m kg)	2.7	(9.9)	15.3	7.8	(22.8)	Lockdowns in China.
- No. of consignments (mil)	8.6	(1.7)	18.1	23.1	4.5	
Revenue	495.1	13.4	2.4	1,454.0	24.5	Driven by FMH.
Group Expenses	460.8	(15.3)	(1.4)	(1,381.6)	(27.7)	Higher volume and
Operating Profit	33.9	(9.7)	10.3	75.2	(15.1)	labour expenses.
Operating Profit Margin (%)	6.8	(1.7ppts)	0.5ppts	5.2	(2.4ppts)	

Source: SPOST, UOB Kay Hian

WHAT'S NEW

- **Stable results, backed by Australian operations.** Singapore Post (SPOST) reported higher 3QFY23 group revenue (+13.4% yoy, +2.4% qoq) of S$495.1m, forming 73.6% of our FY23 full year forecasts and within our expectations. The increase in revenue was largely driven by higher contributions from Freight Management Holdings (FMH) offset by lower sea freight forwarding revenue from Famous Holdings and softer domestic ecommerce revenue. Operating profit fell 9.7% yoy, dragged by the loss of a major ecommerce customer from the higher-margin Domestic Post & Parcel (DPP) segment. However, operating profit formed 86.3% of our full year forecasts, in line with our expectations as 3QFY23 is SPOST's seasonally strongest quarter.

- **Persistent industry headwinds.** Despite a seasonally strong quarter, volumes for the DPP segment were lower yoy as both domestic ecommerce (-47.8% yoy, -3.7% qoq) and letter & printed papers fell (-5.5% yoy, +3.5% qoq). International post & postal (IPP) volumes also moderated (-9.9% yoy, +15.3% qoq) as sporadic lockdowns persisted in China and only reopened at end-3QFY23, coupled with elevated air conveyance costs. Consignment volumes in Australia softened slightly (-1.7% yoy, +18.1% qoq), dragged by a pullback in ecommerce volumes, but surged qoq due to the consolidation of FMH.

KEY FINANCIALS

Year to 31 Mar (S$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,405	1,666	1,956	2,137	2,336
EBITDA	140	182	159	185	214
Operating profit	70	105	89	115	146
Net profit (rep./act.)	48	83	13	63	104
Net profit (adj.)	60	88	48	73	104
EPS (S$ cent)	2.7	3.9	2.1	3.2	4.6
PE (x)	20.3	13.9	25.4	16.7	11.7
P/B (x)	1.0	0.9	1.0	0.9	0.9
EV/EBITDA (x)	8.0	6.2	7.0	6.1	5.2
Dividend yield (%)	2.0	3.3	1.1	1.4	1.9
Net margin (%)	3.4	5.0	0.7	2.9	4.5
Net debt/(cash) to equity (%)	(11.0)	18.1	3.7	(1.3)	(7.8)
Interest cover (x)	32.4	27.8	24.4	38.0	67.6
ROE (%)	3.0	5.7	0.9	4.1	6.6
Consensus net profit	-	-	53	73	87
UOBKH/Consensus (x)	-	-	0.90	1.00	1.19

Source: Singapore Post, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **DPP: Challenges remain.** Volumes for SPOST's traditional letter & mail business continued to decline, given Singapore's secular trend of going paperless. Furthermore, e-commerce volumes moderated sharply in 3QFY23 due to the loss of a major e-commerce customer in 4QFY22 which has insourced part of its own logistics, sharply decreasing SPOST's domestic ecommerce volumes (-37.9% yoy) for 9MFY23. Along with the short-term normalisation of ecommerce volumes, we expect DPP profitability to continue its downtrend despite SPOST implementing higher postage rates starting 1 Jan 23. We reckon that the 1-3% increases in postage rate are insufficient to cover rising costs, given that domestic headline inflation is estimated at 5.5-6.5% for 2023.
- **IPP: Finally reaching a bottom, but extent of recovery...** As global travel recovers, SPOST noted that air conveyance costs have moderated sharply to around 120-130% of pre-COVID-19 levels, coming down from 202% at end-2QFY23. Management expects air conveyance costs to soften gradually back down to pre-COVID-19 levels by 4QFY24 (1Q24). Despite being slightly above pre-COVID 19 levels, management noted the group is comfortable with current levels whereby SPOST is now able to ramp up volumes to boost IPP revenue, albeit at lower margins. Furthermore, with the removal of China's zero-COVID policy at end-3QFY23, depressed outgoing IPP postage volumes are set to recover, given that China is SPOST's largest IPP contributor.
- **…is dependent on several moving parts.** According to China's aviation regulator, China's flight capacity is estimated to recover to 75% of pre-pandemic levels by end-23, increasing overall bellyhold capacity coming out of China. Coupled with weak global demand from global macro uncertainty, global shipping demand has fallen, and has driven spot rates down. However, this also means that e-commerce shipping demand, which SPOST's IPP segment has a huge exposure to, has dropped sharply and would likely depress outgoing IPP volumes from China. Also, during the pandemic, lucrative shipping lanes were lost as shippers from China had to reroute, bypassing SPOST in the process. As more cargo carriers such as Lufthansa start adding freighter flights to China, shippers are now in a better position to renegotiate with carriers and reroute their shipping lanes to secure the best rates possible, given cheaper and more options. SPOST is at risk given that the group is priced higher than its competitors. Also, the required infrastructure would take time to restart, delaying a fast recovery. Overall, we still opine that the IPP segment would recover from lower air conveyance costs and a recovery in IPP volumes, but reckon it would be a gradual recovery over 3-4 quarters instead of a sharp one, with volumes likely only ramping up in FY25.
- **Logistics: Revenue driver.** Driven by higher volumes and the consolidation of FMH, the logistics segment would likely outperform in FY23. Furthermore, with the expected completion of its additional 27% stake in FMH by 4QFY23, segmental profitability is set to grow further in FY24. We had adjusted our earnings in our previous report to reflect this. Due to softening sea freight rates and easing global supply chain disruptions, lower revenue from Famous Holdings would drag segmental growth moving forward.
- **Property: Higher occupancy rates.** 3QFY23 occupancy rates at SingPost Centre were higher qoq (98.8% from 96.7%) as the retail segment improved to full occupancy from 99.2% in 2QFY23, while the office segment improved to 98.3% from 95.5% in 2QFY23.

EARNINGS REVISION/RISK

- **We increase our FY24-25 PATMI estimates,** accounting for higher IPP volumes, notably in FY25. We now forecast FY23-25 PATMI at S$13.1m (S$13.9m previously), S$63.0m (S$52.7m previously) and S$104.1m (S$76.4m previously) respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a slightly higher PE-based target price of S$0.60 (S$0.58 previously).** We have pegged our PE multiple to the same 21.3x multiple, SPOST's average long-term mean PE, to FY24F PATMI estimates (average PATMI forecasts for FY23-25 previously).

SHARE PRICE CATALYST

- Better-than-expected IPP volumes, lower-than-expected decline in domestic postal.

FROM THE REGIONAL MORNING NOTES…

Wilmar International (WIL SP)

2022: Another Record Year, Despite Market Volatility

Wilmar reported 2022 core net profit of US$2,244m (+22%yoy), which is its second consecutive year of record-high profit. This is within our expectations, with its strong feed and industrial segments backed by strong sales volume, despite weak sales volume for its food product segment, especially in China due to the widespread outbreak of COVID-19. We expect to see more earnings contributions from YKA with better sales and margins for 2023. Maintain BUY. Target price: S$5.50.

2022 RESULTS

Year to 31 Dec (US$m)	2H22	hoh % chg	yoy % chg	2022	yoy % chg	Remark
Total Revenue	37,265	3.1	2.8	73,399	11.6	Driven by higher selling prices
Total PBT	1,505	(6.6)	(2.9)	3,117	12.7	
Food Products	*203*	*(61.0)*	*(19.7)*	*723*	*6.2*	
Feed and Industrial Products	*1,054*	*109.7*	*34.8*	*1,557*	*23.5*	
Plantations & Sugar Milling	*134*	*(69.4)*	*(66.6)*	*569*	*0.9*	
Others	(2)	(195.4)	(105.7)	0	(99.8)	
Share of results of JV	24	(13.9)	2.1	52	(18.3)	
Share of results of associates	97	(22.8)	70.4	222	42.3	
Net Profit	1,238	6.1	8.6	2,403	27.1	
Core Net Profit	1,264	29.0	13.9	2,244	21.8	Within expectation.
PBT Margin (%)	4.04	(0.4)	(0.2)	4.25	0.0	
Food Products	*1.30*	*(2.0)*	*(0.3)*	*2.30*	*(0.0)*	
Feed and Industrial Products	*4.61*	*2.3*	*1.0*	*3.50*	*0.3*	Boosted by tropical oil & sugar
Plantations & Sugar Milling	*5.22*	*(14.8)*	*(12.9)*	*12.02*	*(8.4)*	
Core Net Profit Margin (%)	3.39	0.7	0.3	3.06	0.3	

Source: Wilmar International, UOB Kay Hian

RESULTS

- **As expected, Wilmar recorded its record high profit for 2022.** Wilmar International (Wilmar) reported 4Q22 core net profit of US$467.6m (-41% qoq , -12% yoy), bringing full-year core net profit to US$2,244m for 2022 (+22% yoy). This is well within our expectations.
- **Record high dividend; proposed final tax-exempt dividend of S$0.11/share.** Including the interim dividend of S$0.06/share, total dividend for 2022 is S$0.17 (vs 2021: S$0.155). This is the second consecutive year that Wilmar has doled out the highest cash dividend since its listing, bringing a total dividend yield of 4.27% for 2022.

KEY FINANCIALS

Year to 31 Dec (US$m)	2021	2022	2023F	2024F	2025F
Net turnover	65,794	73,399	72,447	79,051	86,636
EBITDA	3,943	3,291	3,149	3,090	3,565
Operating profit	2,800	3,291	3,149	3,090	3,565
Net profit (rep./act.)	1,890	2,402	1,897	2,194	2,437
Net profit (adj.)	1,842	2,420	1,897	2,194	2,437
EPS (US$ cent)	28.8	37.8	29.6	34.3	38.1
PE (x)	10.3	7.9	10.0	8.7	7.8
P/B (x)	1.0	1.0	0.9	0.9	0.9
EV/EBITDA (x)	11.8	14.1	14.8	15.1	13.1
Dividend yield (%)	3.6	5.1	5.2	5.2	5.8
Net margin (%)	2.9	3.3	2.6	2.8	2.8
Net debt/(cash) to equity (%)	114.3	123.6	123.2	128.7	132.8
Interest cover (x)	15.6	7.3	3.8	8.0	6.4
ROE (%)	9.7	12.0	9.4	10.5	11.3
Consensus net profit	-	-	1,950	2,071	1,536
UOBKH/Consensus (x)	-	-	0.97	1.06	1.59

Source: Wilmar International, Bloomberg, UOB Kay Hian

- **There were some positive surprises which were more than enough to offset the disappointment from food products segment.**

  a) **Positive surprises:**

  - **Better-than-expected feed & industrial products segment** (+110%hoh, + 35% yoy). The robust segment performance was led by sustained good performance from the tropical oils business and better margins from sugar merchandising activities, though these were partially impacted by weaker crush margins from the oilseeds business.
  - **Strong JV contribution,** mainly from its investments in China, Europe and India.

  b) **Disappointment from the food products segment.** Sales volume for both consumer products and medium pack and bulk sub-segments came in weaker qoq and yoy in 4Q22. Sales in China came in lower than expected mainly due to the widespread outbreak of COVID-19 after China opened up.

- **Overall profit for 2022 reaches another record high; second consecutive year of record high.** All segments performed well in 2022, with higher yoy PBT growth. The higher yoy core net profit in 2022 was mainly driven by the feed and industrial products segments on the back of strong sales volume, especially its oilseeds and grains sub-segment. Contributions from the tropical oil and sugar merchandising businesses were the best among all its business segments in 2022 and offset the weak profit before tax (PBT) contributions from Yihai Kerry Arawana (YKA). For 4Q22, YKA's profit improved qoq to Rmb657.8m, while full-year profit came in at Rmb3.18b (-36.3% yoy).

STOCK IMPACT

- **Management's outlook guidance.** 2023 will be challenging as plantation profits and palm processing margins are expected to be under pressure, but China should perform better now that it has ended its zero-COVID policy. Wilmar will continue to expand its footprint in the food and agri-business globally and to integrate across the various segments of its business.

- **2023 earnings may see a reversal trend in terms of segmental contributions.** Moving into 2023, YKA could regain the top position in terms of PBT contributions to Wilmar, as we expect China's reopening to boost sales volume, and PBT margins should recover with the easing of commodity prices. The good palm refining margin achieved in 2022 is unlikely to sustain into 2023 as we do not expect a huge discrepancy between the Indonesian palm oil domestic prices vs global palm oil prices in 2023.

EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** We maintain our earnings forecast for 2023-25 at US$1,897m, US$2,194m and US$2,436m respectively, while pending an update from tomorrow's briefing.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S$5.50.** Our target price is derived using the SOTP valuation by pegging a 2023F PE of 17x for the China operations and a blended 11x PE for the non-China operations. The fair value of S$5.50 translates to a blended 2023F PE of 15.3x

SHARE PRICE CATALYST

- Stronger-than-expected performance from its China operations.
- Surprise margin upside with its strategic procurement activities.

SALES VOLUME BY SEGMENT

Year to 31 Dec Sales Volume ('000 tonnes)	4Q22	qoq % chg	yoy % chg	2022	yoy % chg
Food Products	7,536	(2.2)	0.7	27,217	12.0
- Consumer Products	2,047	(5.6)	(7.2)	9,423	22.0
- Medium pack and bulk	5,489	(0.9)	4.0	17,794	7.3
Feed and Industrial Products	16,110	9.4	5.7	58,084	10.9
- Tropical Oils	6,152	1.5	3.2	22,226	(6.9)
- Oilseeds and Grains	6,127	8.9	(0.1)	22,071	20.7
- Sugar	3,831	25.9	22.0	13,787	34.6

Source: Willmar

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