

COMPANY UPDATE

Wilmar International (WIL SP)

1Q24 Results Preview: Another Uneventful Quarter; To Trade Within Current Range

Wilmar is scheduled to release its 1Q24 financial highlights on 29 April. We expect Wilmar to report a core net profit of US\$390m-420m for 1Q24 (1Q23: US\$382m, 4Q23: US\$665.4m). Yoy improvement is likely to come from consumer packs and upstream operations, while bulk will be offset by weakness from its palm processing operations. We believe its oilseeds & grains division will report positive results, but see a yoy decline. Maintain HOLD. Target price: S\$3.35.

WHAT'S NEW

- **Flattish to marginal growth yoy in 1Q24.** Wilmar International (Wilmar) is scheduled to release its 1Q24 financial highlights on 29 April. We anticipate 1Q24 core net profit to fall between US\$390m to US\$420m (1Q23: US\$382m, 4Q23: US\$665m). Traditionally, Wilmar tends to see a lower performance in the 1H of the year, with sales volumes typically bolstered by festive demand in the 2H.
- **The good offset by the weak segments.** The food products and plantation & sugar mill divisions are likely to perform better yoy, but these gains are likely to be offset by persistent weaknesses in palm downstream processing and narrower soybean crushing margins compared to 1Q23. Below is a summary of our expectations for 1Q24:
 - **Food products:** Expect a yoy improvement, driven by higher sales volumes in consumer packs and potentially enhanced margins due to lower feedstock costs. Stable margins are expected in medium & bulk sales, supported by increased sales volumes amidst an uptick in HoReCa spending.
 - **Feed & industrial products:** Expect weaker performance in 1Q24. Both palm downstream processing and soybean crushing segments are expected to underperform. Palm downstream processing continues to struggle with low to negative processing margins amid weak demand for refined products, hindering the ability to pass down feedstock cost pressures. Meanwhile, soybean crushing is expected to remain positive, with margins are expected to narrow compared to 1Q23 due to weaker demand for animal feeds. Sugar processing is expected to perform well, buoyed by healthy white sugar premiums. However, the contributions from this segment are relatively small and may not fully offset the weaknesses in the other segments
 - **Plantation & sugar mill:** A strong performance is expected, primarily driven by oil palm plantations. Despite relatively flat or slightly lower production yoy, improved margins are anticipated, fuelled by lower fertiliser costs and higher palm kernel prices.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2022	2023	2024F	2025F	2026F
Net turnover	73,399	67,155	75,785	83,575	91,523
EBITDA	4,442	3,361	3,992	4,311	4,983
Operating profit	3,291	2,144	2,709	2,976	3,609
Net profit (rep./act.)	2,402	1,525	1,799	2,121	2,538
Net profit (adj.)	2,244	1,567	1,799	2,121	2,538
EPS (US\$ cent)	35.0	24.5	28.1	33.1	39.6
PE (x)	7.1	10.1	8.8	7.5	6.2
P/B (x)	0.8	0.8	0.8	0.7	0.7
EV/EBITDA (x)	9.2	12.2	10.3	9.5	8.2
Dividend yield (%)	4.7	4.7	5.2	6.1	7.3
Net margin (%)	3.3	2.3	2.4	2.5	2.8
Net debt/(cash) to equity (%)	123.6	111.8	109.5	114.5	106.6
Interest cover (x)	9.9	4.5	6.0	8.1	7.7
ROE (%)	12.0	7.6	8.8	10.0	11.6
Consensus net profit	-	-	1,690	1,880	1,941
UOBKH/Consensus (x)	-	-	1.06	1.13	1.31

Source: Wilmar International, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$3.37
Target Price	S\$3.35
Upside	-0.6%

COMPANY DESCRIPTION

Wilmar's business encompassing the entire value chain of the agricultural commodity business, from origination, processing, merchandising to manufacturing of a wide range of branded consumer products.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	WIL SP
Shares issued (m):	6,242.7
Market cap (S\$m):	21,038.0
Market cap (US\$m):	15,447.5
3-mth avg daily t'over (US\$m):	13.0

Price Performance (%)

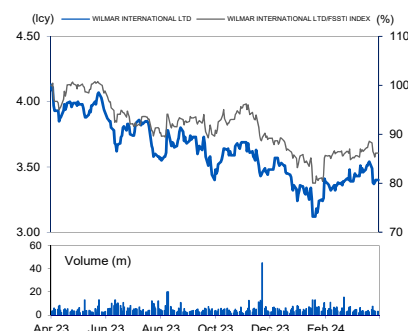
52-week high/low			S\$4.13/S\$3.12	
1mth	3mth	6mth	1yr	YTD
(0.6)	0.3	(5.6)	(17.6)	(5.6)

Major Shareholders

	%
Archer Daniels Midland	22.5
Kuok Brothers	19.0
Kuok Khoon Hong	13.7

FY24 NAV/Share (US\$)	3.29
FY24 Net Debt/Share (US\$)	3.60

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **Some signs of improvement from feed & industrial division for 2Q24.** Despite 2Q traditionally being Wilmar's weakest quarter due to the absence of festive demand, there are indications pointing towards a potentially stronger 2Q24. Key factors driving this potential improvement include:

a) **Enhanced palm downstream processing:** Expectations of higher volume, particularly with anticipated better CPO production in 2Q24, are likely to drive improvements in palm downstream processing. This improvement could be further bolstered by better refining margins resulting from wider crude and refined products exports duties and levies, as well as reduced volumes allocated to fulfill Indonesia's Domestic Market Obligation post-Lebaran (which usually commands very lower margins, or incurs losses).

b) **Improved utilisation of soybean crushing facilities:** Since late-Mar 24, there has been a noticeable uptick in the utilisation of soybean crushing facilities. If this trend persists, it could significantly bolster soybean crushing margins. Additionally, the recovery of hog margins, spurred by the improved pork prices in China, may translate into increased demand for animal feeds, further enhancing the outlook for the feed & industrial division.

We will continue to monitor these factors closely and provide further analysis as the quarter progresses.

• **Minimal impact from the damaged port in Ukraine.** Wilmar confirmed that its tank terminal facility located in Pivdennyi was damaged by a Russian missile attack on the Black Sea Ukrainian port of Pivdennyi. It also confirmed that a tank terminal owned by its 80% Ukrainian subsidiary, Limited Liability Company Delta Wimar Ukraine, was struck by a missile on 19 Apr 24. There were no casualties as a result of this unfortunate incident. Wilmar is unable to provide any guidance on the damages sustained until it puts out the fire at the facility. Wilmar has two processing facilities in Ukraine. One of them, located near the war zone, ceased operations when the conflict started. However, the plant remains operational primarily for import and export activities. Despite this, the contributions from Wilmar's operations in Ukraine are minimal (<1%). Wilmar's Europe operations made up 3.5% and 2.4% of 2023 total revenue and total assets respectively.

EARNINGS REVISION/RISK

• **Maintain earnings forecasts.** We maintain our 2024-25 earnings forecasts at US\$1.78b and US\$2.1b respectively.

VALUATION/RECOMMENDATION

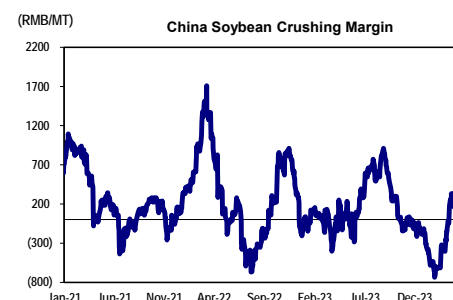
• **Maintain HOLD with a target price of S\$3.35.** Our valuation is based on 2024F EPS and uses the SOTP valuation by pegging PE of 18x, 10x and 11x for food products, feeds & industrial products and plantations & sugar mills respectively.

• Wilmar has declared a final tax-exempted dividend of S\$0.11/share and ex-date is fixed on 29 Apr 24.

SHARE PRICE CATALYST

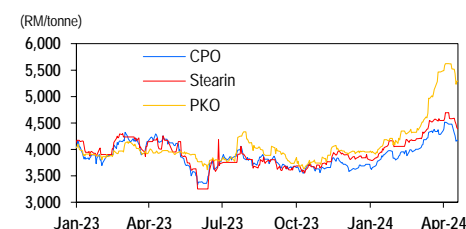
• **Greater recovery in China.** As YKA is still the largest profit contributor to Wilmar, a surprise recovery would be positive to earnings and market sentiment towards Wilmar's performance.

POSITIVE CRUSHING MARGIN



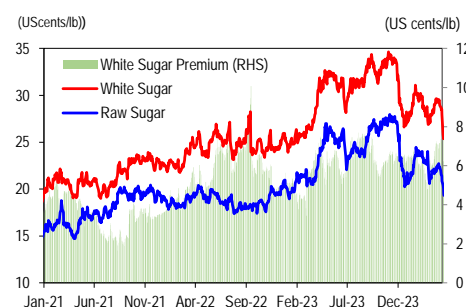
Source: Bloomberg

PALM BY PRODUCTS PRICES GAIN MORE THAN CPO



Source: Bloomberg

MARGIN FOR SUGAR MERCHANDISING REMAINS GOOD



Source: Bloomberg

DEBTS ARE PREDOMINANTLY TRADE RELATED



Source: Bloomberg, Wilmar

SOTP VALUATION

	PE(X)	S\$/Share
Food Ingredient	25	0.89
Feed & Oils & Fats	10	1.08
Plantations & Sugar Milling	11	0.32
Associates & JV	8	0.12
Total		3.35

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Net turnover	67,155	75,785	83,575	91,523
EBITDA	3,361	3,992	4,311	4,983
Deprec. & amort.	1,217	1,283	1,335	1,375
EBIT	2,144	2,709	2,976	3,609
Total other non-operating income	0	0	1	1
Associate contributions	320	313	338	366
Net interest income/(expense)	(748)	(661)	(532)	(644)
Pre-tax profit	1,956	2,361	2,783	3,331
Tax	(298)	(378)	(445)	(533)
Minorities	(133)	(184)	(217)	(260)
Net profit	1,525	1,799	2,121	2,538
Net profit (adj.)	1,567	1,799	2,121	2,538

BALANCE SHEET

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Fixed assets	15,766	16,549	17,066	17,531
Other LT assets	11,669	11,476	11,257	11,059
Cash/ST investment	8,156	8,552	7,036	8,013
Other current assets	26,218	27,128	28,816	29,237
Total assets	61,809	63,705	64,175	65,840
ST debt	22,242	22,242	22,242	22,242
Other current liabilities	7,414	7,928	7,163	7,509
LT debt	8,460	9,060	9,410	9,610
Other LT liabilities	941	930	880	880
Shareholders' equity	20,173	20,782	21,500	22,359
Minority interest	2,579	2,763	2,981	3,241
Total liabilities & equity	61,809	63,705	64,175	65,840

CASH FLOW

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Operating	3,885	3,114	4,179	4,153
Pre-tax profit	1,956	2,361	2,782	3,330
Tax	(499)	(378)	(445)	(533)
Deprec. & amort.	1,160	1,283	1,335	1,375
Working capital changes	2,194	526	1,296	946
Other operating cashflows	(926)	(678)	(788)	(966)
Investing	(3,099)	(2,863)	(2,663)	(2,663)
Capex (maintenance)	(2,281)	(2,046)	(1,846)	(1,846)
Investments	(10)	(10)	(10)	(10)
Proceeds from sale of assets	634	80	80	80
Others	(807)	(807)	(807)	(807)
Financing	2,405	667	113	40
Dividend payments	(1,050)	(803)	(848)	(567)
Issue of shares	41	33	6	6
Proceeds from borrowings	6,339	621	128	600
Others/interest paid	(2,925)	817	827	1
Net cash inflow (outflow)	3,192	918	1,629	1,530
Beginning cash & cash equivalent	2,847	4,381	4,752	6,036
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	6,039	5,299	6,381	7,566

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Turnover	(8.5)	12.9	10.3	9.5
EBITDA	(24.3)	18.8	8.0	15.6
Pre-tax profit	(37.2)	20.7	17.9	19.7
Net profit	(36.5)	18.0	17.9	19.7
Net profit (adj.)	(30.2)	14.8	17.9	19.7
EPS	(30.2)	14.8	17.9	19.7
Profitability				
EBITDA margin	5.0	5.3	5.2	5.4
Pre-tax margin	2.9	3.1	3.3	3.6
Net margin	2.3	2.4	2.5	2.8
ROA	2.5	2.9	3.3	3.9
ROE	7.6	8.8	10.0	11.6
Leverage				
Debt to total capital	57.4	57.1	56.4	55.4
Debt to equity	152.2	150.6	147.2	142.5
Net debt/(cash) to equity	111.8	109.5	114.5	106.6
Interest cover (x)	4.5	6.0	8.1	7.7

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