

COMPANY UPDATE

Wilmar International (WIL SP)

4Q24 Results Preview: Set To Recover qoq, But China Operations Remain Lacklustre

Wilmar will be releasing its 2H24 results on 20 Feb 25 after trading hours. We estimate 4Q24 core net profit at US\$330m-340m and full-year core net profit at US\$1.14b-1.15b, which is 3-4% lower than our forecast and 9-10% lower than consensus expectation. We expect AWL to become a subsidiary from FY26, as the agreement condition has been fulfilled. Maintain HOLD with a higher target price of S\$3.18 (previously S\$3.00) on a modest consumer sentiment outlook in China.

WHAT'S NEW

- **4Q24 review: Likely to perform below our expectation.** Wilmar International (Wilmar) will be releasing its financial results for 2H24 on 20 Feb 25 after trading hours. We are expecting 4Q24 core net profit to range at US\$330m-340m (vs 3Q24: US\$208m, 4Q23: US\$424m). This will bring full-year core net profit to US\$1.14b-1.15b, which is 3-4% lower than our forecast and 9-10% lower than consensus expectation. Higher crude palm oil (CPO) prices and improved processing margins are positives, while China operations are likely to see greater sales volumes but still thin margins. The sugar division's earnings are expected to weaken on harvest delays from negative weather.
- **Qoq recovery expected,** with yoy performance dragged by lower contributions from China and its sugar division. Expectations for each segment are as follows:
 - a) **Food products.** Expect a flat quarter qoq, with still soft household spending despite the Chinese government's stimulus measures. Higher sales volumes for lower-margin medium & bulk packs are expected, driven by increased HoReCa spending yoy. This may partially offset the positive impact of low material costs on margins.
 - b) **Feed and industrial products.** Referring to the estimated palm refining margin chart (next page), 4Q24 margin improved yoy and qoq. The Malaysian and Indonesian governments' export levy hikes from Nov 24 also increased the gap. Soybean crushing margins improved qoq, likely due to higher soybean meal demand ahead of tariff threats, but were lower yoy due to the high base in 4Q23. For sugar processing, lower volumes and narrowing of the white sugar premium will impact earnings.
 - c) **Plantation & sugar milling.** Expect a qoq recovery, mainly due to oil palm plantations. Profit margin from palm upstream is expected to improve as palm kernel prices were higher, while fertiliser costs have fallen. Meanwhile, sugar milling is expected to report lower profits qoq and yoy as sugar cane harvesting in Australia was delayed to early-Jan 25, due to high rainfall during the quarter.

KEY FINANCIALS

| Year to 31 Dec (US\$m) | 2022 | 2023 | 2024F | 2025F | 2026F |
|-------------------------------|--------|--------|--------|--------|--------|
| Net turnover | 73,399 | 67,155 | 69,216 | 76,650 | 83,582 |
| EBITDA | 4,442 | 3,361 | 3,190 | 3,756 | 4,284 |
| Operating profit | 3,291 | 2,144 | 1,907 | 2,421 | 2,910 |
| Net profit (rep./act.) | 2,402 | 1,525 | 1,188 | 1,578 | 1,864 |
| Net profit (adj.) | 2,244 | 1,567 | 1,188 | 1,578 | 1,864 |
| EPS (US\$ cent) | 35.0 | 24.5 | 18.6 | 24.6 | 29.1 |
| PE (x) | 6.9 | 9.8 | 13.0 | 9.8 | 8.3 |
| P/B (x) | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| EV/EBITDA (x) | 9.5 | 12.6 | 13.3 | 11.3 | 9.9 |
| Dividend yield (%) | 4.9 | 4.9 | 3.5 | 4.7 | 5.5 |
| Net margin (%) | 3.3 | 2.3 | 1.7 | 2.1 | 2.2 |
| Net debt/(cash) to equity (%) | 123.6 | 111.8 | 119.6 | 127.6 | 123.5 |
| Interest cover (x) | 9.9 | 4.5 | 4.8 | 5.4 | 5.2 |
| ROE (%) | 12.0 | 7.6 | 5.8 | 7.6 | 8.7 |
| Consensus net profit | - | - | 1,269 | 1,619 | 1,767 |
| UOBKH/Consensus (x) | - | - | 0.94 | 0.97 | 1.06 |

Source: Wilmar International, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

| | |
|---------------|----------|
| Share Price | S\$3.26 |
| Target Price | S\$3.18 |
| Upside | -2.5% |
| (Previous TP) | S\$3.00) |

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): | 20,351.3 |
| Market cap (US\$m): | 15,042.7 |
| 3-mth avg daily t'over (US\$m): | 9.3 |

Price Performance (%)

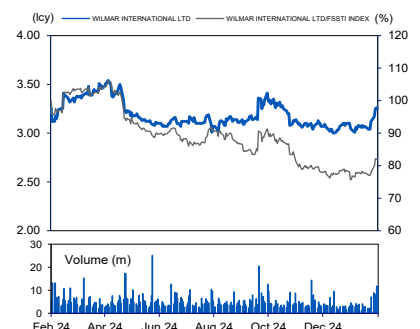
52-week high/low S\$3.55/S\$2.99

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|------|------|-------|-----|
| 5.2 | 4.5 | 8.3 | (0.6) | 5.2 |

Major Shareholders

| | % |
|----------------------------|------|
| Archer Daniels Midland | 22.3 |
| Kuok Brothers | 18.8 |
| Kuok Khoo Hong | 12.8 |
| FY24 NAV/Share (US\$) | 3.26 |
| FY24 Net Debt/Share (US\$) | 3.89 |

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **About the AWL agreement.** On 30 Dec 24, Wilmar announced that it had reached an agreement to purchase up to 31.06% of Adani Wilmar (AWL) from Adani Commodities LLP (ACL), which held 43.94% of the company. The transaction was contingent upon ACL selling at least 12.88% of its stake to the public through a two-day sale, which took place on 10 Jan 25 for institutional investors and 13 Jan 25 for retail investors. This was required to meet Indian securities regulations, which mandate that 25% of a company's shares must be publicly held within three years of its listing. Since AWL went public in 2022, the group has to meet this requirement by 8 Feb 25. ACL offered up to 13.5% for sale, with an option to sell an additional 6.5%.
- **AWL to be subsidiary from end-25.** On the respective sale dates, ACL successfully sold 13.51%, meeting both the regulatory requirements and the condition for the Wilmar agreement. As a result, Wilmar may acquire 30.43% of AWL, totalling 395,550,338 shares, at a maximum price of Rs305 per share. This brings the maximum total consideration to Rs12,064 crore (around US\$1.4b). This will be exercised 12 months from the agreement date. Wilmar's stake in AWL will rise to 74.37%, making it a wholly owned subsidiary. Meanwhile, Wilmar is on the lookout for strategic investors in AWL. This acquisition is expected to significantly enhance Wilmar's profitability in 2026.
- **Frequent share buybacks to date reflect confidence.** In 4Q24, Wilmar's chairman and CEO Kuok Khoo Hong bought back 8.8m shares at S\$2.99-3.10/share. Historically, he has bought back shares at around S\$3.00, demonstrating management's confidence in the company's outlook.

EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** We maintain our 2024-26 earnings forecasts at US\$1.19b, US\$1.58b and US\$1.86b respectively.

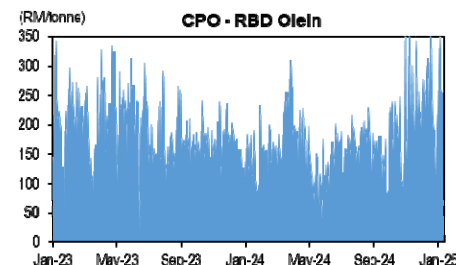
VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of S\$3.18 (S\$3.00 previously)** after we increase our PE peg for its food ingredients from 16x to 17x as China consumer sentiment is expected to rise modestly in 2025. We peg PE of 11x for both feed & industrial products and plantations & sugar mills respectively. The fair value of S\$3.18 translates to a blended 2025F PE of 9.8x. Share price could see some pressure from the upcoming weaker-than-expected 4Q24 results. We deem this as an opportunity to accumulate.
- While a special dividend is no longer in store as Wilmar will be enhancing its AWL stake instead, the stock still offers a decent dividend yield of 5%, making it an attractive option for investors.

SHARE PRICE CATALYST

- **Greater recovery in China.** As YKA is still the largest profit contributor to Wilmar, a surprise substantial recovery would be positive to earnings and market sentiment towards Wilmar's performance.
- **New strategic investors in AWL** may provide new distribution channels, capabilities or complementary businesses to help access new markets or solidify AWL's position in the Indian market.

PRICE GAP BETWEEN CRUDE AND REFINED PALM PRODUCTS WIDENED IN 4Q24



Source: Bloomberg, UOB Kay Hian

AWL 3QFY25 UPDATE

| (Crores) | 3QFY25 | qoq % chg | yoy % chg | 9MFY25 | yoy % chg |
|---------------------|----------|-----------|-----------|----------|-----------|
| Segment revenue | 16,859.3 | 16.6 | 31.4 | 45,488.3 | 19.6 |
| Edible oil | 13,386.7 | 22.0 | 37.9 | 35,012.6 | 22.5 |
| Food & FMCG | 1,558.0 | (9.3) | 22.3 | 4,809.1 | 31.6 |
| Industry Essentials | 1,914.6 | 8.4 | 3.8 | 5,666.6 | (1.9) |
| Segment earnings | 606.3 | 41.0 | 82.8 | 1,483.2 | 671.9 |
| Edible oil | 570.6 | 53.0 | 91.9 | 1,341.8 | n.a. |
| Food & FMCG | (45.9) | n.a. | n.a. | (23.4) | n.a. |
| Industry Essentials | 81.6 | 46.7 | 297.4 | 164.8 | 113.7 |

Source: AWL, UOB Kay Hian

PROFIT & LOSS

| Year to 31 Dec (US\$m) | 2023 | 2024F | 2025F | 2026F |
|----------------------------------|----------|----------|----------|----------|
| Net turnover | 67,155.3 | 69,216.3 | 76,650.3 | 83,582.1 |
| EBITDA | 3,360.9 | 3,189.7 | 3,756.0 | 4,284.3 |
| Deprec. & amort. | 1,217.3 | 1,282.7 | 1,334.7 | 1,374.7 |
| EBIT | 2,143.5 | 1,907.0 | 2,421.3 | 2,909.7 |
| Total other non-operating income | 241.3 | 0.0 | 1.0 | 1.0 |
| Associate contributions | 319.8 | 313.4 | 338.5 | 365.6 |
| Net interest income/(expense) | (748.4) | (661.1) | (689.6) | (829.8) |
| Pre-tax profit | 1,956.3 | 1,559.3 | 2,071.1 | 2,446.4 |
| Tax | (298.1) | (249.5) | (331.2) | (391.3) |
| Minorities | (133.3) | (121.8) | (161.7) | (191.0) |
| Net profit | 1,524.8 | 1,188.0 | 1,578.2 | 1,864.1 |
| Net profit (adj.) | 1,567.0 | 1,188.0 | 1,578.2 | 1,864.1 |

CASH FLOW

| Year to 31 Dec (US\$m) | 2023 | 2024F | 2025F | 2026F |
|----------------------------------|-----------|-----------|-----------|-----------|
| Operating | 3,885.3 | 1,069.6 | 3,533.8 | 3,260.5 |
| Pre-tax profit | 1,956.3 | 1,559.3 | 2,070.1 | 2,445.4 |
| Tax | (499.3) | (249.5) | (331.2) | (391.3) |
| Deprec. & amort. | 1,159.6 | 1,282.7 | 1,334.7 | 1,374.7 |
| Working capital changes | 2,194.3 | (845.1) | 1,248.7 | 797.2 |
| Other operating cashflows | (925.5) | (677.9) | (788.5) | (965.6) |
| Investing | (3,098.5) | (2,863.4) | (2,663.4) | (2,663.4) |
| Capex (maintenance) | (3,722.7) | (2,933.5) | (2,733.5) | (2,733.5) |
| Investments | (9.9) | (9.9) | (9.9) | (9.9) |
| Proceeds from sale of assets | 634.1 | 80.0 | 80.0 | 80.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing | 2,405.3 | 667.2 | 113.2 | 232.5 |
| Dividend payments | (1,049.5) | (803.2) | (847.6) | (374.2) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 6,338.6 | 620.9 | 128.0 | 600.0 |
| Others/interest paid | (2,883.8) | 849.5 | 832.8 | 6.7 |
| Net cash inflow (outflow) | 3,192.0 | (1,126.6) | 983.6 | 829.6 |
| Beginning cash & cash equivalent | 2,846.7 | 4,380.8 | 2,899.4 | 3,709.7 |
| Changes due to forex impact | 0.0 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 6,038.8 | 3,254.2 | 3,883.1 | 4,539.3 |

BALANCE SHEET

| Year to 31 Dec (US\$m) | 2023 | 2024F | 2025F | 2026F |
|----------------------------|----------|----------|----------|----------|
| Fixed assets | 15,766.1 | 16,548.8 | 17,066.1 | 17,531.4 |
| Other LT assets | 11,668.9 | 11,476.2 | 11,256.9 | 11,059.3 |
| Cash/ST investment | 8,155.7 | 6,699.4 | 4,709.7 | 5,006.7 |
| Other current assets | 26,218.0 | 28,425.4 | 30,332.7 | 31,091.4 |
| Total assets | 61,808.7 | 63,149.9 | 63,365.5 | 64,688.8 |
| ST debt | 22,242.1 | 22,242.1 | 22,242.1 | 22,242.1 |
| Other current liabilities | 7,414.2 | 7,642.3 | 6,862.1 | 7,163.4 |
| LT debt | 8,459.7 | 9,059.7 | 9,409.7 | 9,609.7 |
| Other LT liabilities | 940.9 | 929.8 | 879.8 | 879.8 |
| Shareholders' equity | 20,172.8 | 20,575.1 | 21,109.2 | 21,740.2 |
| Minority interest | 2,579.0 | 2,700.8 | 2,862.5 | 3,053.5 |
| Total liabilities & equity | 61,808.7 | 63,149.9 | 63,365.5 | 64,688.8 |

KEY METRICS

| Year to 31 Dec (%) | 2023 | 2024F | 2025F | 2026F |
|---------------------------|--------|--------|-------|-------|
| Profitability | | | | |
| EBITDA margin | 5.0 | 4.6 | 4.9 | 5.1 |
| Pre-tax margin | 2.9 | 2.3 | 2.7 | 2.9 |
| Net margin | 2.3 | 1.7 | 2.1 | 2.2 |
| ROA | 2.5 | 1.9 | 2.5 | 2.9 |
| ROE | 7.6 | 5.8 | 7.6 | 8.7 |
| Growth | | | | |
| Turnover | (8.5) | 3.1 | 10.7 | 9.0 |
| EBITDA | (24.3) | (5.1) | 17.8 | 14.1 |
| Pre-tax profit | (37.2) | (20.3) | 32.8 | 18.1 |
| Net profit | (36.5) | (22.1) | 32.8 | 18.1 |
| Net profit (adj.) | (30.2) | (24.2) | 32.8 | 18.1 |
| EPS | (30.2) | (24.2) | 32.8 | 18.1 |
| Leverage | | | | |
| Debt to total capital | 57.4 | 57.4 | 56.9 | 56.2 |
| Debt to equity | 152.2 | 152.1 | 149.9 | 146.5 |
| Net debt/(cash) to equity | 111.8 | 119.6 | 127.6 | 123.5 |
| Interest cover (x) | 4.5 | 4.8 | 5.4 | 5.2 |

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