

COMPANY RESULTS

Wilmar International (WIL SP)

3Q24: Results Below Expectations

Wilmar's 3Q24 results trended way below our and market expectations. Revenue grew both qoq and yoy on higher sales volume across all segments, except for tropical oils. However, profits fell qoq due to compressed margins across most business segments. The yoy decline was due to weaker performance from China operations and the sugar segment, which both delivered strong 3Q23 results. Maintain HOLD with an 8% lower target price of S\$3.00 (S\$3.25 previously).

3Q24/9M24 FINANCIAL SUMMARY

Year to 31 Dec (US\$m)	3Q24	qoq %chg	yoy %chg	9M24	yoy %chg	Remarks
Revenue	17,749.3	16.4	0.4	48,684.0	(3.0)	
EBITDA	913.3	(27.8)	(10.7)	2,702.5	1.0	
Net Profit	254.4	(8.1)	(19.0)	834.0	(3.6)	
Core Net Profit	208.1	(25.0)	(35.7)	814.4	(9.6)	Below expectation.
<b>Margins (%)</b>						
EBITDA	5.1	(3.2)	(0.2)	5.6	0.3	
Core Net Profit	1.2	(0.6)	(0.6)	1.7	(0.1)	

Source: Wilmar International, UOB Kay Hian

RESULTS

- **Below expectations.** Wilmar International (Wilmar) reported 3Q24 core net profit of US\$208m (-25% qoq, -36% yoy), bringing 9M24 to account for 51% of our full-year forecast. This falls short of both our and consensus expectations.
- **3Q24 earnings declined qoq.** Revenue rose 16% qoq and 0.4% yoy due to strong sales volume across both the feed & industrial products (+17% qoq) and food products (+17% qoq). However, margins were weak across most business segments, leading to lower EBITDA margin and earnings.
- **3Q24 and 9M24 earnings declined yoy** largely due to weaker performance from Yihai Kerry Arawana (YKA) (30999 CN/Not Rated) and the sugar segment. Recall that YKA recorded a solid profit in 3Q23, as a result of higher sales volume and improved soybean crushing margins. The sugar division also delivered strong performance in 3Q23, led by higher sugar prices and good white sugar premium. Furthermore, the sugar mills in Australia periodically halted operations due to the workers' strike. As this lasted from June to mid-September, the sugar crushing season was negatively impacted.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2022	2023	2024F	2025F	2026F
Net turnover	73,399	67,155	67,986	75,073	82,044
EBITDA	4,442	3,361	3,189	3,778	4,310
Operating profit	3,291	2,144	1,907	2,443	2,935
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	9.9	13.0	9.8	8.3
P/B (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x)	9.6	12.7	13.4	11.3	9.9
Dividend yield (%)	4.8	4.8	3.5	4.6	5.5
Net margin (%)	3.3	2.3	1.7	2.1	2.3
Net debt/(cash) to equity (%)	123.6	111.8	120.8	129.2	124.9
Interest cover (x)	9.9	4.5	4.8	5.3	5.0
ROE (%)	12.0	7.6	5.8	7.6	8.7
Consensus net profit	-	-	1,465	1,680	1,750
UOBKH/Consensus (x)	-	-	0.81	0.94	1.06

Source: Wilmar International, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$3.20
Target Price	S\$3.00
Upside	-6.3%
(Previous TP:	S\$3.25)

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):	19,976.7
Market cap (US\$m):	15,104.1
3-mth avg daily t'over (US\$m):	12.2

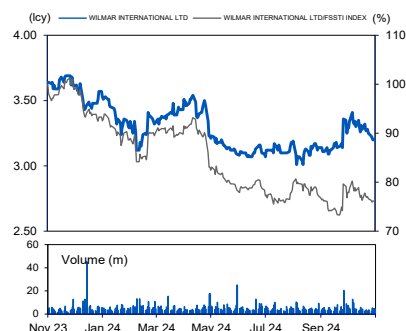
Price Performance (%)

52-week high/low	S\$3.72/S\$3.00			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(4.8)	1.3	(4.2)	(9.6)	(10.4)

Major Shareholders

Major Shareholders	%
Archer Daniels Midland	22.5
Kuok Brothers	19.0
Kuok Khoon Hong	14.2
FY24 NAV/Share (US\$)	3.26
FY24 Net Debt/Share (US\$)	3.94

PRICE CHART



Source: Bloomberg

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- Some key highlights from Wilmar's 3Q24 results are:
  - Tropical oils and fertiliser segments saw better-than-expected results.** This was mainly due to improved refining margins from the tropical oils business (within our expectation) and better performance from the fertiliser operations due to the rise in fertiliser prices.
  - Soybean crushing margins were better than expected,** led by a slight uptick in soybean meal demand in China.
  - Sugar divisions.** The milling segment was underwhelming due to the larger-than-expected negative impact from the workers' strike. The merchandising segment likely performed better on higher sugar prices and white sugar premium.
  - Consumer products business fell yoy,** as the higher sales volume was offset by lower prices amid sustained stiff competition.
- **Snapshot of YKA's results.** YKA is Wilmar's subsidiary, and usually contributes 60-70% of Wilmar's net profit. In 3Q24, YKA reported a net profit of Rmb334m (+56% qoq, -71% yoy), while 9M24 net profit came in at Rmb1,431m (-33% yoy). This was mainly attributable to the following:
  - Overall sales volume increased yoy, but was impacted by falling product prices caused by lower prices of raw material such as soybean and soybean oil, which only saw an uptick in prices from late-August.
  - Catering and food industry channel products saw profits improve yoy, as a result of both a yoy increase in sales volume and yoy decrease in raw material costs. Flour operations also saw a significant qoq improvement.
  - Feed ingredients and oleochemical products: The lower yoy profit was mainly due to lower feed ingredient prices despite the yoy increase in sales volumes of feed raw materials and industrial products.

### STOCK IMPACT

- **Management outlook comments:**
  - 3Q24 was challenging for most business segments, and management remains cautiously optimistic for the rest of the year.
  - Tropical oils refining margins will improve upon increased palm production.
  - Soybean crushing margins will remain positive.
- **4Q24 core net profit may be slightly higher qoq** as tropical oil margins and soybean margins expand. Sugar merchandising and milling operations are also likely to see improvement. However, this may be partially offset by the slower-than-expected recovery in operating conditions in China, as well as weaker demand for refined palm oil products.
- **Frequent share buybacks to date reflect confidence.** Wilmar's chairman and CEO, Kuok Khoo Hong has bought back 32.6m shares at S\$3.07-3.33/share ytd, demonstrating management's confidence in the company's outlook.

### EARNINGS REVISION/RISK

- **We reduce 2024/25/26 earnings by 13-26%,** as we adjust margins downward for food products and feed and industrial products and factor in poorer sugar milling performance. We now expect net profit of US\$1.19b (US\$1.61b previously), US\$1.58b (US\$1.82b previously) and US\$1.86b (US\$2.16b previously) for 2024, 2025 and 2026 respectively.

### VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower target price of S\$3.00 (S\$3.25 previously)** after we: a) revise our earnings forecasts, and b) increase our PE peg for its China operations from 13x to 16x to reflect better market sentiment after the recent stimulus rollout.
- The stock offers a decent dividend yield, making it an attractive option for investors. The upcoming disposal of Adani-Wilmar stake (~US\$680m based on market closing price) also raises prospects of a special dividend, similar to when Wilmar paid out a special dividend of 6.5 S cents/share after raising US\$2.05b from the listing of YKA.

### 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.

### YKA 3Q24/9M24 RESULTS

(RMB m)	3Q24	qoq % chg	yoy % chg	9M24	yoy % chg
Revenue	65,976	26.4	(5.5)	175,454	(6.9)
Net profit	334	55.9	(71.3)	1,431	(32.8)

Source: YKA

### SOTP VALUATION

	PE(X)	S\$/Share
Food Ingredient	16	0.99
Feed & Oils & Fats	10	1.49
Plantations & Sugar Milling	11	0.22
Associates & JV	6	0.30
<b>Total</b>		<b>3.00</b>

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>67,155.3</b>	<b>67,986.3</b>	<b>75,072.8</b>	<b>82,043.8</b>
EBITDA	3,360.9	3,189.4	3,777.8	4,310.1
Deprec. & amort.	1,217.3	1,282.7	1,334.7	1,374.7
EBIT	2,143.5	1,906.7	2,443.1	2,935.5
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)	(711.5)	(855.6)
<b>Pre-tax profit</b>	<b>1,956.3</b>	<b>1,559.0</b>	<b>2,071.1</b>	<b>2,446.4</b>
Tax	(298.1)	(249.4)	(331.2)	(391.3)
Minorities	(133.3)	(121.8)	(161.7)	(191.0)
<b>Net profit</b>	<b>1,524.8</b>	<b>1,187.8</b>	<b>1,578.2</b>	<b>1,864.1</b>
Net profit (adj.)	1,567.0	1,187.8	1,578.2	1,864.1

### CASH FLOW

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>3,885.3</b>	<b>812.6</b>	<b>3,467.5</b>	<b>3,279.9</b>
Pre-tax profit	1,956.3	1,559.0	2,070.1	2,445.4
Tax	(499.3)	(249.4)	(331.2)	(391.3)
Deprec. & amort.	1,159.6	1,282.7	1,334.7	1,374.7
Working capital changes	2,194.3	(1,101.8)	1,182.4	816.7
Other operating cashflows	(925.5)	(677.9)	(788.5)	(965.6)
<b>Investing</b>	<b>(3,098.5)</b>	<b>(2,863.4)</b>	<b>(2,663.4)</b>	<b>(2,663.4)</b>
Capex (maintenance)	0.0	0.0	0.0	0.0
Investments	(9.9)	(9.9)	(9.9)	(9.9)
Proceeds from sale of assets	634.1	80.0	80.0	80.0
Others	(3,722.7)	(2,933.5)	(2,733.5)	(2,733.5)
<b>Financing</b>	<b>2,405.3</b>	<b>667.2</b>	<b>113.2</b>	<b>232.6</b>
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
<b>Net cash inflow (outflow)</b>	<b>3,192.0</b>	<b>(1,383.6)</b>	<b>917.3</b>	<b>849.1</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,846.7</b>	<b>4,380.8</b>	<b>2,642.5</b>	<b>3,386.6</b>
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>6,038.8</b>	<b>2,997.2</b>	<b>3,559.9</b>	<b>4,235.6</b>

### BALANCE SHEET

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>15,766.1</b>	<b>16,548.8</b>	<b>17,066.1</b>	<b>17,531.4</b>
Other LT assets	11,668.9	11,476.2	11,256.9	11,059.3
Cash/ST investment	8,155.7	6,442.5	4,386.6	4,702.9
Other current assets	26,218.0	25,418.4	27,103.8	27,523.0
<b>Total assets</b>	<b>61,808.7</b>	<b>59,886.0</b>	<b>59,813.4</b>	<b>60,816.7</b>
ST debt	22,242.1	22,242.1	22,242.1	22,242.1
Other current liabilities	7,414.2	7,588.8	6,793.5	7,096.6
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	21,740.1
Minority interest	2,579.0	2,700.8	2,862.5	3,053.5
<b>Total liabilities &amp; equity</b>	<b>61,808.7</b>	<b>63,096.3</b>	<b>63,296.8</b>	<b>64,621.8</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	5.0	4.7	5.0	5.3
Pre-tax margin	2.9	2.3	2.8	3.0
Net margin	2.3	1.7	2.1	2.3
ROA	2.5	2.0	2.6	3.1
ROE	7.6	5.8	7.6	8.7
<b>Growth</b>				
Turnover	(8.5)	1.2	10.4	9.3
EBITDA	(24.3)	(5.1)	18.4	14.1
Pre-tax profit	(37.2)	(20.3)	32.8	18.1
Net profit	(36.5)	(22.1)	32.9	18.1
Net profit (adj.)	(30.2)	(24.2)	32.9	18.1
EPS	(30.2)	(24.2)	32.9	18.1
<b>Leverage</b>				
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	120.8	129.2	124.9
Interest cover (x)	4.5	4.8	5.3	5.0

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