

COMPANY UPDATE

Wilmar International (WIL SP)

Recovery Is On, But Uncertainty Ahead

Management's briefing updates are in line with our expectation. 4Q24 core profit is likely to be higher than 3Q24's, but lower yoy. During YKA's briefing, management observed a sales recovery trend in 3Q24 and expects this to continue in 4Q24. Further, Wilmar may see a one-off gain from the sale of its 6.5% stake in Adani Wilmar. However, we note that election uncertainty in the US and weak consumer spending in China remain. Maintain HOLD. Target price: S\$3.00.

WHAT'S NEW

- **Briefing review.** After the analyst briefing, we conclude that Wilmar International (Wilmar) is poised for a better 4Q24 qoq, albeit lower yoy. Based on our revised earnings from our previous note, we expect a core net profit of US\$340m-350m for 4Q24. Though 4Q profit is typically lower than that of 3Q's due to seasonal factors, the following segmental highlights point to a better quarter ahead:
 - **Food products: Expect gradual growth.** Sales volumes are likely to continue to improve as the recent stimulus measures continue to restore consumer sentiment. This growth trend is reaffirmed by Yihai Kerry Arawana (YKA) which reported positive yoy sales volume growth in 3Q24 and expects it to sustain in 4Q24. Flour and rice operations in China also benefit from lower raw material costs, leading to better earnings in 4Q24.
 - **Feed & industrial products:**
 - a) **Tropical oils.** Refining margins are expected to improve in 4Q24. The Malaysian and Indonesian governments' export levy hikes effective from 1 Nov 24 will increase the levy gap between CPO and refined products and therefore improve refining margins.
 - b) **Oilseeds and grains.** Soybean crushing margins have turned around from late-Aug 24 after being mainly in negative territory in 3Q24. Additionally, higher soybean meal (SBM) demand was driven by lower SBM prices, leading to an increased meal inclusion ratio (ie more SBM is being mixed into animal feed). Rising hog prices have also contributed to recovery of demand for animal feed.
- **Plantation & sugar mill:**
 - a) **Palm oil.** CPO prices remain high due to lower palm oil production and Indonesia's higher B40 biodiesel blending (to be implemented in Jan 25). While this has moderated demand, management expects CPO prices to stay elevated with the potential B50 biodiesel mandate and to contribute to better earnings.

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)	6.8	9.7	12.8	9.6	8.2
P/B (x)	0.8	0.7	0.7	0.7	0.7
EV/EBITDA (x)	9.5	12.5	13.2	11.2	9.8
Dividend yield (%)	4.9	4.9	3.6	4.7	5.6
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	-	-	1,292	1,612	1,690
UOBKH/Consensus (x)	-	-	0.92	0.98	1.10

Source: Wilmar International, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$3.13
Target Price	S\$3.00
Upside	-4.2%

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):	19,539.8
Market cap (US\$m):	14,823.1
3-mth avg daily t'over (US\$m):	12.0

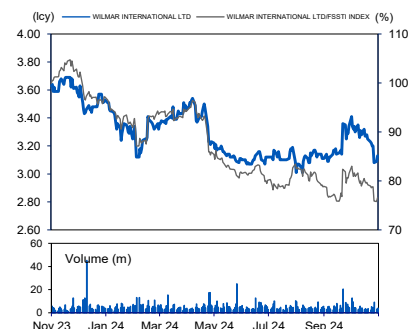
Price Performance (%)

52-week high/low	S\$3.72/S\$3.00			
1mth	3mth	6mth	1yr	YTD
(6.3)	1.3	(3.1)	(14.0)	(12.3)

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\$)	3.89

PRICE CHART



Source: Bloomberg

ANALYST(S)

Heidi Mo
+65 6590 6630
heidimo@uobkayhian.com

Llleythan Tan Yi Rong
+65 6590 6624
yirong@uobkayhian.com

b) **Sugar.** Sugar milling is expected to see better earnings contribution in 4Q24 as the workers' strike has come to an end while good weather continues. As of 3 Oct 24, the eight mills in Australia have crushed 8.39m tonnes of cane or 54% of the total forecast crop (vs 9m tonnes of cane or 58% of the total forecast as of 28 Sep 23). However, this may be partially offset by weaker sugar prices.

STOCK IMPACT

Yihai Kerry Arawana (300999 CN/Not Rated): 50-60% of Wilmar's profit before tax

- **Management is optimistic on 4Q24** as it observed a recovery in consumption given the recent government policies to boost consumer spending. The positive recovery trend in 3Q24 is expected to persist, barring a potential trade tariff hike from the US post-election, which would impact the economic outlook. To recap, YKA reported a 3Q24 net profit of Rmb334m (+56% qoq, -71% yoy), while 9M24 net profit came in at Rmb1,431m (-33% yoy).
- a) **Food ingredient.** Kitchen food sales remained healthy qoq, and enjoyed lower raw material and transportation costs, leading to a better 3Q24 profit. For the flour business, wheat costs normalised while wheat and flour sales improved, leading to a significant improvement in performance. Management expects the stimulus measures to increase consumption in 4Q24.
- b) **Feed & oleochemical.** Positive soybean crushing margins are expected to drive overall performance. China's demand for pork and eggs is stable, and crushing volumes are expected to be healthy moving forward. Oleochemical sales are relatively stable, while small packaged oil prices have increased, leading to better profits in 4Q24. Management also noted that consumers' greater focus on food safety and health has increased the company's competitive advantage against its peers.
- **On Adani-Wilmar (AWL).** The owners of AWL are looking to sell a 13% stake, as Indian regulations require large firms to have at least 25% free float within three years of listing. To comply with regulations, this will have to be completed by Feb 25. According to management, AWL's recent strong 2QFY25 results have built momentum on investor discussions. Wilmar's 6.5% stake sale could lead to a one-off gain.

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 target price of S\$3.00.** Our target price is derived using the SOTP valuation by pegging a 2025F PE of 16x, 10x and 11x for food products, feeds & industrial products and plantations & sugar mills respectively. The fair value of S\$3.00 translates to a blended 2025F PE of 10x.
- The stock offers a decent dividend yield, making it an attractive option for investors. The upcoming disposal of Adani-Wilmar stake also raises prospects of a special dividend.

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.
- Improvement in tropical oil processing margins.

SOTP VALUATION

	PE(X)	S\$/Share
Food Ingredient	16	0.82
Feed & Oils & Fats	10	1.42
Plantations & Sugar Milling	11	0.46
Associates & JV	6	0.30
Total		3.00

Source: 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

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W