

COMPANY RESULTS

Wilmar International (WIL SP)

1Q24: Results Below Expectations

Wilmar's 1Q24 results came in below expectations due to lower-than-expected margins from feed & industrial products. The weakness is attributable to weaker-than-expected margins despite the higher sales volume. Note that the China food products segment has continued to improve, with stronger sales volume and better margins. We expect earnings to improve from 2Q24 onwards, especially its feed & industrial products segment. Maintain HOLD. Target Price: S\$3.35

1Q24 FINANCIAL SUMMARY

Year to 31 Dec (US\$m)	1Q23	4Q23	1Q24	qoq %chg	yoy %chg	Remarks
Revenue	16,914.6	16,944.4	15,681.5	(7.5)	(7.3)	
EBITDA	970.6	1,020.9	911.5	(10.7)	(6.1)	
Net Profit	391.4	660.0	302.9	(54.1)	(22.6)	
Core Net Profit	381.9	665.4	328.4	(50.6)	(14.0)	Below expectations mainly due to lower-than-expected sugar merchandising sales volume.
Margins (%)						
EBITDA	5.7	6.0	5.8	(0.2)	0.1	
Core Net Profit	2.3	3.9	2.1	(1.8)	(0.2)	Core margin declined despite better EBITDA margins due to lower profit sharing from JVs & associates.

Source: Wilmar International, UOB Kay Hian

RESULTS

- Below expectations.** Wilmar International (Wilmar) reported core net profit of US\$328m (-51% qoq, -14% yoy) for 1Q24, contributing 18% of our full-year forecast. This is below our expectations with our 1Q24 core net profit estimates of US\$390-420m. The deviation was mainly due to lower-than-expected margins from Feed & Industrial Products. The weakness is attributable to weaker-than-expected margin despite higher sales volume.
- Core net profit margin down yoy despite marginal improvement at EBITDA level.** Lower cost of raw materials led to marginal improvement of EBITDA margin. However, core net profit was down yoy and qoq, likely due to the reduced profit sharing from its joint ventures and associates from its investment in China.

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)	7.0	10.0	8.7	7.4	6.2
P/B (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x)	9.2	12.2	10.2	9.5	8.2
Dividend yield (%)	4.8	4.8	5.2	6.1	7.4
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	-	-	1,715	1,902	2,025
UOBKH/Consensus (x)	-	-	1.05	1.12	1.25

Source: Wilmar International, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

HOLD

(Maintained)

Share Price	S\$3.34
Target Price	S\$3.35
Upside	+0.3%

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):	20,850.7
Market cap (US\$m):	15,334.8
3-mth avg daily t'over (US\$m):	12.8

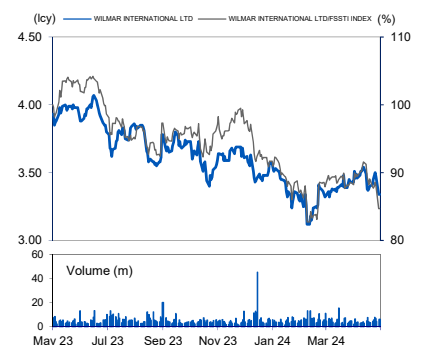
Price Performance (%)

52-week high/low	S\$4.07/S\$3.12
1mth	(2.6)
3mth	(0.3)
6mth	(5.1)
1yr	(15.0)
YTD	(6.4)

Major Shareholders

Archer Daniels Midland	22.5
Kuok Brothers	19.0
Kuok Khoo Hong	13.7
FY24 NAV/Share (US\$)	3.29
FY24 Net Debt/Share (US\$)	3.60

PRICE CHART



Source: Bloomberg

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- **1Q24 earnings lower qoq and yoy.** Earnings were lower qoq in 1Q24 mainly due to weaker contributions from the feed and industrial products segment. This was due to:
 - a) **Challenging palm oil processing margin.** Palm downstream processing continues to struggle with low to negative processing margins amid weak demand for refined products.
 - b) **Low soybean crushing margin,** due to weak demand for animal feed. However, Wilmar managed to increase its sales volume via an extensive marketing network.
 - c) **Lower sales volume from the sugar merchandising division** despite healthy white sugar premium.
- **Improvement from China** with sales volume for consumer products segment increasing significantly by 34% qoq and 6% yoy, coupled with better margin with weaker raw material prices.
- **YKA results snapshot.** Yihai Kerry Arawana (YKA) reported a higher net profit of Rmb882m (+3% yoy) despite lower revenue. This was mainly attributable to margin improvement in its Food Ingredients segment, which saw a decrease in raw material costs. However, poorer performance from its Feeds & Oleochemical segment offset the gains from the Food Ingredients segment.
- **Food ingredients: Improved yoy.** The improvement was primarily driven by its retail segment, which experienced increased sales volume and improved EBITDA margins due to declining raw material costs. However, this was partly offset by lower margins in the HoReCa segment, where selling prices have a high correlation with raw material prices, despite higher sales volume. Within the HoReCa subsegment, the flour business incurred losses due to sluggish market demand, intense competition and lower prices of its by-products.
- **Feeds & oleochemical: Down yoy.** While its oleochemical segment reported better yoy performance driven by increased demand and higher selling prices, profitability in the animal feeds segment was adversely affected by weak demand from the livestock industries, resulting in poor profit margins.

STOCK IMPACT

- Management has indicated that the operating landscape will continue to pose challenges throughout 2024. However, there is optimism for improvement in 2Q24, driven by several factors:
 - a) **Anticipated uptick in soybean crushing utilisation rates** due to the recovery of hog margins, spurred by the gradual improvement in pork prices.
 - b) **Improved margins in sugar milling operations.**
 - c) **The food products segment is expected to maintain its positive trajectory** with healthy sales volumes and a slight uptick in operating margins.
- Having said that, these gains may be tempered by weak processing margins in the feed and industrial products segment, particularly in palm processing and soybean crushing.

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.

SHARE PRICE CATALYST

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

YKA 1Q24 RESULTS

(RMB ('000))	1Q23	1Q24	Yoy % chg
Revenue	61,041	57,274	(6.2)
Net profit	854	882	3.3

Source: 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

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

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

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
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
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
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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