

# WILMAR INTERNATIONAL LIMITED

## 3Q2017 Results Highlights

November 13, 2017



  
**wilmar**

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# Agenda

- 1** 3Q2017 Financial Performance – Key Takeaways
- 2** Business Outlook
- 3** Appendix

# 3Q2017 Financial Performance – Key Takeaways



# Earnings Highlights

	3Q17 (US\$m)	vs 3Q16 △	9M17 (US\$m)	vs 9M16 △
Revenue	11,129	0%	32,298	10%
EBITDA	753	-6%	1,751	25%
Net profit	370	-6%	792	92%
Core net profit	324	-16%	674	74%
Earnings per share in US cents (fully diluted)	5.8	-6%	12.5	92%

## Earnings Highlights – Segment Results (PBT US\$m)

	3Q17	3Q16	Δ	9M17	9M16	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	83.1	169.3	-51%	321.2	505.0	-36%
Oilseeds and Grains (Manufacturing & Consumer Products)	253.7	248.1	2%	528.5	73.2	>100%
Sugar (Milling, Merchandising, Refining & Consumer Products)	75.2	86.4	-13%	(66.1)	(10.5)	(>100%)
Others	56.4	35.1	61%	154.7	67.8	>100%
Joint Ventures & Associates	51.3	28.6	79%	116.4	73.3	59%
Unallocated expenses <sup>#</sup>	(1.9)	(0.5)	(>100%)	(5.7)	(6.7)	14%
<b>Profit Before Tax</b>	<b>517.8</b>	<b>567.0</b>	<b>-9%</b>	<b>1,049.0</b>	<b>702.1</b>	<b>49%</b>

<sup>#</sup> Unallocated expenses refer to expenses in relation to the grant of share options to employees.

# Cash Flow Highlights

<b>US\$ million</b>	<b>9M17</b>	<b>9M16</b>	<b>FY16</b>
Operating cash flow before working capital changes	1,734	1,303	2,021
Net cash flow generated from operating activities	1,559	1,248	1,124
Less: Acquisitions of subsidiaries, joint ventures and associates	(96)	(48)	(145)
Capital expenditure	(611)	(571)	(777)
Net increase/(decrease) from bank borrowings*	2,540	(1,427)	(695)
(Increase)/decrease in other deposits and financial products with financial institutions	(2,799)	1,409	774
Dividends	(320)	(371)	(371)
Share buy-back	-	(9)	(9)
Others	98	129	140
<b>Net cash flow</b>	<b>371</b>	<b>360</b>	<b>41</b>
<b>Free cash flow</b>	<b>1,232</b>	<b>910</b>	<b>592</b>

Note :

\* Net bank borrowings include proceeds/repayments of loans and borrowings net of fixed deposits pledged with financial institutions for bank facilities and unpledged fixed deposits with maturity more than 3 months.

Free Cash Flow = Cashflows generated from/(used in) operations – Capital expenditure –Acquisitions/disposals of subsidiaries, joint ventures and associates.

# Gearing

US\$ million	As at Sep 30, 2017	As at Dec 31, 2016
<b>Debt/Equity (x)</b>	<b>0.72</b>	<b>0.81</b>
- Net debt *	11,062	11,692
- Shareholders' funds	15,388	14,435
<b>Adjusted debt/Equity (x)</b>	<b>0.30</b>	<b>0.35</b>
- Liquid working capital **	6,505	6,706
- Adjusted net debt	4,557	4,986
- EBITDA ***	2,597	2,244
<b>Net debt/EBITDA (x) ***</b>	<b>4.26</b>	<b>5.21</b>
<b>Adjusted net debt/EBITDA (x) ***</b>	<b>1.8</b>	<b>2.2</b>

\* Net debt = Total borrowings – Cash and bank balances – Other deposits with financial institutions.

\*\* Liquid working capital = Inventories (excl. consumables) + Trade receivables – Current liabilities (excl. borrowings)

\*\*\* EBITDA for 30 Sep 17 is based on LTM performance.

- Net debt to equity ratio improved to 0.72x compared to 0.81x as at Dec 31, 2016.
- Adjusted debt to equity ratio improved to 0.30x from 0.35x.



# Business Outlook

- We expect the good performance in the Oilseeds and Grains segment to continue into the fourth quarter, with crush margins and volume anticipated to remain positive. Performance of the other major business segments is expected to be satisfactory.
- With good economic performance in key Asian countries, we remain optimistic about the future of Asia. We will continue with our expansion plans, especially in Oilseeds and Grains including Consumer Products.

# Appendix



# Business Segment results:

## Tropical Oils (Plantation, Manufacturing and Merchandising)

	3Q17	3Q16	Δ	9M17	9M16	Δ
Revenue (US\$ million)	4,310.2	4,379.1	-2%	13,417.7	12,053.3	11%
➤ <i>Plantation</i>	14.0	18.6	-24%	43.3	42.7	1%
➤ <i>Manufacturing &amp; Merchandising</i>	4,296.2	4,360.5	-1%	13,374.4	12,010.6	11%
Sales volume# ('000 MT)						
➤ <i>Manufacturing &amp; Merchandising</i>	5,749	5,919	-3%	17,149	17,257	-1%
Profit before tax (US\$ million)	83.1	169.3	-51%	321.2	505.0	-36%

# Excludes plantation volume

- Plantation production yield and volume improved during the quarter, but lower processing margins affected the overall performance of the segment. Profit before tax decreased by 50.9% in 3Q17 and 36.4% in 9M17, on the back of lower downstream margins.
- Production yield improved 12.5% to 5.2 MT per hectare in 3Q17 and 16.6% to 15.0 MT per hectare in 9M17.
- Sales volume decreased by 2.9% in 3Q17. The decrease in volume was mainly due to lower biodiesel quota awarded in Indonesia. While this led to a decrease in revenue by 1.5% in 3Q17, higher CPO prices in 1Q17 increased revenue by 11.4% in 9M17.

# Business Segment results:

## Tropical Oils (Plantation, Manufacturing and Merchandising)

	3Q17	3Q16	Δ	9M17	9M16	Δ
Planted area (ha)	237,212	240,371	-1%	237,212	240,371	-1%
Mature area harvested (ha)	205,848	208,537	-1%	205,848	208,537	-1%
FFB production (MT)	1,032,124	924,912	12%	3,002,370	2,610,484	15%
FFB Yield (MT/ha)	5.2	4.7	12%	15.0	12.9	17%
<b>Mill Production</b>						
➤ Crude Palm Oil (MT)	486,022	461,696	5%	1,288,985	1,194,478	8%
➤ Palm Kernel (MT)	119,282	114,635	4%	310,767	289,826	7%
<b>Extraction Rate</b>						
➤ Crude Palm Oil	19.7%	19.6%	0%	19.9%	20.0%	0%
➤ Palm Kernel	4.8%	4.9%	-1%	4.8%	4.9%	-1%

# Plantation Age Profile

in hectares	Average Age of Plantation					
30 Sep 2017	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	9,222	11,197	102,337	11,751	27,883	162,390
Malaysia	10,882	7,669	9,472	8,911	19,940	56,874
Africa	9,121	2,752	4,841	980	254	17,948
<b>Total planted area</b>	<b>29,225</b>	<b>21,618</b>	<b>116,650</b>	<b>21,642</b>	<b>48,077</b>	<b>237,212</b>
<i>% of total planted area</i>	<i>12.3%</i>	<i>9.1%</i>	<i>49.2%</i>	<i>9.1%</i>	<i>20.3%</i>	<i>100.0%</i>
Included YTD new plantings of :	1,083					
Plasma/outgrower Programme	208	329	8,864	3,090	21,937	34,428
<i>% of planted area</i>	<i>0.6%</i>	<i>1.0%</i>	<i>25.7%</i>	<i>9.0%</i>	<i>63.7%</i>	<i>100.0%</i>
31 Dec 2016						
Indonesia	11,988	8,804	106,291	14,106	25,681	166,870
Malaysia	11,202	4,796	11,077	8,780	22,146	58,001
Africa	9,872	1,413	4,756	980	0	17,021
<b>Total planted area</b>	<b>33,062</b>	<b>15,013</b>	<b>122,124</b>	<b>23,866</b>	<b>47,827</b>	<b>241,892</b>
<i>% of total planted area</i>	<i>13.6%</i>	<i>6.2%</i>	<i>50.5%</i>	<i>9.9%</i>	<i>19.8%</i>	<i>100.0%</i>
Included YTD new plantings of :	2,164					
Plasma/outgrower Programme	200	628	6,022	4,470	19,964	31,284
<i>% of planted area</i>	<i>0.7%</i>	<i>2.0%</i>	<i>19.2%</i>	<i>14.3%</i>	<i>63.8%</i>	<i>100.0%</i>

- Weighted average age of our plantations is approximately 12 years.

## Business Segment results: Oilseeds and Grains (Manufacturing and Consumer Products)

	<b>3Q17</b>	<b>3Q16</b>	<b>Δ</b>	<b>9M17</b>	<b>9M16</b>	<b>Δ</b>
Revenue (US\$ million)	5,537.8	4,739.6	17%	14,346.8	13,195.8	9%
➤ <i>Manufacturing</i>	3,719.1	3,112.6	19%	9,650.1	8,350.1	16%
➤ <i>Consumer Products</i>	1,818.7	1,627.0	12%	4,696.7	4,845.7	-3%
Sales volume ('000 MT)	9,160	7,902	16%	24,099	22,044	9%
➤ <i>Manufacturing</i>	7,626	6,518	17%	20,024	17,923	12%
➤ <i>Consumer Products</i>	1,534	1,384	11%	4,075	4,121	-1%
Profit before tax (US\$ million)	253.7	248.1	2%	528.5	73.2	>100%

- Profit before tax improved owing to higher crush volume and good crush margins. The robust performance in 3Q17, together with the good performance in 1H17, enabled profit before tax to soar to US\$528.5 million for 9M2017.
- Overall sales volume increased to 9.2 million MT in 3Q17 and increased to 24.1 million MT in 9M17.

# Business Segment results:

## Sugar (Milling, Merchandising, Refining and Consumer Products)

	3Q17	3Q16	Δ	9M17	9M16	Δ
Revenue (US\$ million)	1,038.1	1,744.8	-41%	3,874.5	3,553.4	9%
➤ <i>Milling</i>	262.4	413.7	-37%	338.3	501.9	-33%
➤ <i>Merchandising, Refining &amp; Consumer Products</i>	775.7	1,331.1	-42%	3,536.2	3,051.5	16%
Sales volume ('000 MT)	3,061	4,097	-25%	8,686	8,536	2%
➤ <i>Milling</i>	916	1,213	-24%	1,144	1,489	-23%
➤ <i>Merchandising, Refining &amp; Consumer Products</i>	2,145	2,884	-26%	7,542	7,047	7%
Profit/(Loss) before tax (US\$ million)	75.2	86.4	-13%	(66.1)	(10.5)	(>100%)
Operating Statistics:						
➤ <i>Commercial Cane Sugar (%)</i>	13.9	12.9	8%	13.7	12.9	6%
➤ <i>Cane Crushed (m MT)</i>	9.7	7.6	28%	10.8	8.3	30%

- Lower profit before tax in 3Q17 due to timing effect from the new Australian Sugar marketing programme, in which certain proportion of sugar produced would only be sold in the subsequent quarters. This was partly mitigated by better performance in the merchandising business. Higher loss before tax in 9M17 due to seasonal losses and weaker merchandising performance in 1H17.
- Sales volume for the segment decreased in 3Q2017 from lower milling and merchandising activities during the quarter but higher in 9M17 due to higher merchandising activities in 1H17.

# Non-Operating Items

US\$ million	3Q17	3Q16	9M17	9M16
<b>Profit before tax – reported</b>	<b>517.8</b>	<b>567.0</b>	<b>1,049.0</b>	<b>702.1</b>
Foreign exchange gain/(loss) arising from intercompany loans to subsidiaries	0.4	(6.2)	0.3	(2.3)
Net gain from investment securities – HFT	24.9	18.6	110.5	43.5
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(6.0)	(5.9)	(18.3)	(17.0)
Dividend income from investment securities – AFS	31.8	4.9	36.0	8.4
Others	-	(4.0)	-	(4.0)
Non-operating items gain (pre-tax impact)	51.1	7.4	128.5	28.6
<b>Profit before tax - excl non-operating items</b>	<b>466.7</b>	<b>559.6</b>	<b>920.5</b>	<b>673.5</b>
Net profit – reported	370.0	392.2	791.8	411.5
Non-operating items gain (post-tax impact)	46.3	7.3	118.2	24.4
<b>Core net profit</b>	<b>323.7</b>	<b>384.9</b>	<b>673.6</b>	<b>387.1</b>



# Cash Flow

<b>US\$ million</b>	<b>9M17</b>	<b>9M16</b>	<b>FY16</b>
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Net increase/(decrease) from bank borrowings*	2,540	(1,427)	(695)
(Increase)/decrease in other deposits and financial products with financial institutions	(2,799)	1,409	774
Dividends	(320)	(371)	(371)
Share buy-back	-	(9)	(9)
Others	98	129	140
<b>Net cash flow</b>	<b>371</b>	<b>360</b>	<b>41</b>
<b>Free cash flow</b>	<b>1,232</b>	<b>910</b>	<b>592</b>
Turnover days			
- Inventories	66	66	64
- Trade Receivables	34	33	33
- Trade Payables	12	13	13

Note :

\* Net bank borrowings include proceeds/repayments of loans and borrowings net of fixed deposits pledged with financial institutions for bank facilities and unpledged fixed deposits with maturity more than 3 months.

Turnover days are calculated by averaging the monthly turnover days to better reflect the true turnover period in view of the seasonality of the Group's business. Monthly turnover days are computed using revenue and cost of sales for the month.

Free Cash Flow = Cashflows generated from/(used in) operations – Capital expenditure –Acquisitions/disposals of subsidiaries, joint ventures and associates.

## Cash Flow – Cont.

- Inventories reduced to US\$6.7 billion in 9M17 (FY16: US\$7.0 billion), reflecting lower stockpile following the end of the festive season, particularly in China. Average turnover days remained comparable at 66 days for 9M17.
- Trade receivables decreased by US\$166.5 million to US\$3.9 billion in 9M17 due to timing of sales. Average turnover days remained comparable at 34 days in 9M17.
- Trade payables decreased by US\$204.5 million to US\$1.3 billion in 9M17 due to timing of purchases. Average turnover days remained comparable at 12 days in 9M17.

# Funding and Liquidity

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US\$ million	As at Sep 30, 2017		
	Available	Utilised	Balance
Credit facilities :			
Committed	9,021	7,029	1,992
Trade finance	22,327	11,350	10,977
Short term	927	279	648
<b>Total credit facilities</b>	<b>32,275</b>	<b>18,658</b>	<b>13,617</b>

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- 61% of utilised facilities were trade financing lines, backed by inventories and receivables.
- 58% of total facilities were utilised as at September 30, 2017.

# Key Indicators

	<b>As at Sep 30, 2017</b>	<b>As at Dec 31, 2016</b>
Return on Average Equity* #	9.1%	6.7%
Return on Average Capital Employed* #	6.0%	4.5%
Return on Invested Capital* #	5.5%	4.6%
in US cents		
EPS (fully diluted)	12.5	15.4
NTA per share	174.0	159.4
NAV per share	243.3	228.5
in Singapore cents		
Dividends (interim & final)	3.0**	6.5

\* Sep 17 returns based on LTM performances

\*\* Only interim dividends

# Formulas :

*Return on Average Equity = Net profit ÷ Average equity*

*Return on Average Capital Employed = EBIT x (1 – tax rate) ÷ (Average equity + Average minority interest + Average net debt)*

*Return on Invested Capital = (Earnings before interest – Fair value of biological assets) ÷ (Average long term assets excl Intangibles & DTA + Average net working capital excl cash and borrowings)*