

WILMAR INTERNATIONAL LIMITED

1H2021 Results Briefing

August 11, 2021




wilmar

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1H2021 Financial Performance – Key Takeaways



Earnings Highlights

	1H2021 (US\$m)	vs 1H2020 △
Revenue	29,534	30%
EBITDA	1,884	27%
Profit Before Tax	1,216	47%
Net Profit	751	23%
Core Net Profit	732	15%
Earnings per share in US cents (fully diluted)	11.9	24%
Dividends per share in Singapore cents	5.0	25%

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

	1H2021	1H2020*	Δ
Food Products	428.3	495.0	-13%
Feed and Industrial Products	478.8	370.7	29%
Plantation and Sugar Milling	164.0	(82.9)	n.m.
Others	8.7	(41.5)	n.m.
Joint Ventures & Associates	139.2	84.1	66%
Unallocated expenses [#]	(3.5)	(0.9)	(>100%)
Profit Before Tax	1,215.5	824.5	47%

* In accordance with SFRS(I) 3, the Group has restated prior period's figures subsequent to the finalisation of purchase price allocation exercise for the acquisition of Wilmar GF Singapore Holdings Pte. Ltd. ("GF") and its subsidiaries

Unallocated expenses refer to expenses in relation to the grant of share options to employees.
n.m. – not meaningful

Sales Volume by Business Segment ('000 MT)

	2Q2021	2Q2020	Δ	1H2021	1H2020	Δ
Food Products	6,337	6,095	4%	13,316	12,265	9%
Consumer Products	1,618	2,308	-30%	4,103	4,726	-13%
Medium Pack and Bulk	4,719	3,787	25%	9,213	7,539	22%
Feed and Industrial Products	14,408	14,746	-2%	26,176	26,345	-1%
Tropical Oils	5,776	5,477	5%	10,969	10,714	2%
Oilseeds and Grains	4,932	5,902	-16%	9,074	10,182	-11%
Sugar	3,700	3,367	10%	6,133	5,449	13%
Plantation and Sugar Milling[#]						
Sugar Milling	617	831	-26%	1,054	1,321	-20%
Total	21,362	21,672	-1%	40,546	39,931	2%

[#] Excludes oil palm plantation volume

Cash Flow Highlights

US\$ million	1H2021	1H2020	FY2020
Operating cash flow before working capital changes	1,806	1,354	3,594
Net cash flow (used in)/generated from operating activities	(1,393)	2,072	553
Less: Acquisitions of subsidiaries, joint ventures and associates	(21)	(213)	(317)
Capital expenditure	(1,105)	(848)	(1,976)
Net increase/(decrease) from bank borrowings*	2,540	830	(2,072)
Decrease/(increase) in other deposits and financial products with financial institutions	900	(1,423)	2,822
Dividends	(737)	(433)	(619)
Proceeds from dilution of interest in a subsidiary	-	1	2,021
Others	(5)	153	123
Net cash flow	179	139	535
Free cash flow	(1,945)	1,356	916

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 Jun 30, 2021	As at Dec 31, 2020
Debt/Equity (x)	0.89	0.72
- Net debt [*]	16,886	13,605
- Shareholders' funds	19,013	18,882
Adjusted debt/Equity (x)	0.29	0.27
- Liquid working capital ^{**}	11,356	8,567
- Adjusted net debt	5,530	5,038
- EBITDA ^{***}	4,005	3,609
Net debt/EBITDA (x) ^{***}	4.22	3.77
Adjusted net debt/EBITDA (x) ^{***}	1.38	1.40

^{*} 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 and liabilities directly associated with disposal group classified as held for sale).

^{***} EBITDA for Jun 2021 is based on LTM performance

- Net debt to equity ratio increased to 0.89x as at Jun 30, 2021.
- Adjusted debt to equity ratio increased slightly to 0.29x as at Jun 30, 2021.

Business Outlook

- The Covid-19 pandemic extended into the current year and continues to bring about disruptions and market volatility in the countries where the Group operates. Results for 1H2021 have been satisfactory despite the challenging operating conditions created by both Covid-19 and increasing commodity prices.
- Our Feed & Industrial Products segment should continue to perform well on the back of positive downstream margins and sustained strong demand from the tropical oils businesses. Further, the Plantation and Sugar Milling segment is also expected to benefit from higher palm oil and sugar prices.
- Currently, crush margins in China have improved slightly from the depressed levels in the second quarter and we expect it to improve further in the third quarter. The strength of our diversified operations is that it enables the Group to continue to perform well as weakness in one business is often offset by good performance in other segments. Barring unforeseen circumstances, the Group's performance for the rest of the year is expected to be satisfactory.

Appendix



Business Segment results:

Food Products (Consumer Products, Medium Pack and Bulk)

	1H2021	1H2020*	Δ
Revenue (US\$ million)	13,645.4	10,377.9	31%
➤ Consumer Products	5,718.0	5,303.7	8%
➤ Medium Pack and Bulk	7,927.4	5,074.2	56%
Sales volume ('000 MT)	13,316	12,265	9%
➤ Consumer Products	4,103	4,726	-13%
➤ Medium Pack and Bulk	9,213	7,539	22%
Profit before tax (US\$ million)	428.3	495.0	-13%

* In accordance with SFRS(I) 3, the Group has restated prior period's figures subsequent to the finalisation of purchase price allocation exercise for the acquisition of Wilmar GF Singapore Holdings Pte. Ltd. ("GF") and its subsidiaries

- Overall sales volume in the segment grew by 9% in 1H2021 to 13.3 million MT. The growth was driven by higher demand across its medium pack and bulk products during the period, which saw volume expanding by 22%. This was mainly brought about by China's recovery from the Covid-19 pandemic, leading to stronger demand for Food Products by the Hotel/Restaurant/Catering (HORECA) sector and food processing industries. The Group's flour and rice businesses also continued to show strong volume growth in 1H2021. However, demand for consumer products was lower as more people started dining out since the second half of 2020 compared to when households stocked up on consumer products during the Covid-19 outbreak which drove the high demand in 2Q2020.
- Notwithstanding the abovementioned improvements, profit for the Food Products segment decreased by 13% in 1H2021 as higher commodity prices narrowed margins in the segment. While the Group had made upward adjustments to the selling prices of consumer pack products in 1H2021, there was still a time lag between the rapid increase in raw material cost and selling price adjustment, thereby negatively impacting margins.

Business Segment results: Feed and Industrial Products (Tropical Oils, Oilseeds and Grains and Sugar)

	1H2021	1H2020*	Δ
Revenue (US\$ million)	17,164.1	12,917.7	33%
➤ Tropical Oils	10,509.8	7,524.5	40%
➤ Oilseeds and Grains	4,058.4	3,545.5	14%
➤ Sugar	2,595.9	1,847.7	40%
Sales volume ('000 MT)	26,176	26,345	-1%
➤ Tropical Oils	10,969	10,714	2%
➤ Oilseeds and Grains	9,074	10,182	-11%
➤ Sugar	6,133	5,449	13%
Profit before tax (US\$ million)	478.8	370.7	29%

* In accordance with SFRS(I) 3, the Group has restated prior period's figures subsequent to the finalisation of purchase price allocation exercise for the acquisition of Wilmar GF Singapore Holdings Pte. Ltd. ("GF") and its subsidiaries

- Profit for the segment improved by 29% to US\$478.8 million in 1H2021 with a strong set of performance from the tropical oils business. Tropical oils downstream businesses benefitted from good refining margins and higher demand for its products during the period. However, lower soybean crushing volume and higher raw material cost impacted crushing margins for the Group. In addition, the segment was affected by weaker sugar merchandising margins during the period.
- Overall volume for the segment decreased marginally in 1H2021 mainly due to lower oilseeds and grains sales volume from lower crushing activities, though this was partially offset by higher sales volume in both sugar and tropical oils businesses. Revenue for the segment increased by 33% in 1H2021 on the back of higher commodity prices during the period.

Business Segment results: Plantation and Sugar Milling

	1H2021	1H2020	Δ
Revenue (US\$ million)	1,446.2	941.2	54%
➤ Oil Palm Plantation	1,018.6	484.6	>100%
➤ Sugar Milling	427.6	456.6	-6%
Sales volume ('000 MT) [#]	1,054	1,321	-20%
➤ Sugar Milling			
Profit before tax (US\$ million)	164.0	(82.9)	n.m.

[#] Excludes oil palm plantation volume

- The segment reported profit before tax of US\$164.0 million for 1H2021 driven by firmer palm prices for the oil palm plantation business and capitalisation of maintenance costs in sugar milling. Palm plantations' good performance was further supported by higher fresh fruit bunches production in 1H2021, which increased by 9% to 2,071,579 MT. With effect from 2021, maintenance costs during the off-season for sugar milling business are amortised over the sugar milling season, which commenced in late June 2021. Performance in sugar milling was further supported by higher sugar prices during the period.
- Revenue for the oil palm plantation business more than doubled during the period on the back of higher commodity prices. Despite the higher sugar prices during the period, revenue for the sugar milling business decreased by 6% due to lower sugar sales in 1H2021.

Business Segment results: Plantation and Sugar Milling (Oil Palm Plantation Statistics)

	1H2021	1H2020	Δ	FY2020
Planted area (ha)	232,217	231,268	0%	232,053
Mature area harvested (ha)	199,709	195,243	2%	197,304
FFB production (MT)	2,071,579	1,908,757	9%	4,030,264
FFB Yield (MT/ha)	10.4	9.8	6%	20.4
Mill Production				
➤ Crude Palm Oil (MT)	850,556	804,953	6%	1,716,131
➤ Palm Kernel (MT)	204,228	192,720	6%	413,089
Extraction Rate				
➤ Crude Palm Oil	19.6%	20.1%	-2%	19.9%
➤ Palm Kernel	4.6%	4.8%	-4%	4.7%
New Planting (ha)	145	233	-38%	354

Plantation Age Profile

in hectares	Average Age of Plantation					
30 Jun 2021	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	7,158	15,100	47,702	57,388	24,518	151,866
Malaysia	8,498	10,729	17,755	5,833	17,137	59,952
Africa	3,138	7,563	7,940	1,033	725	20,399
Total planted area	18,794	33,392	73,397	64,254	42,380	232,217
<i>% of total planted area</i>	<i>8.1%</i>	<i>14.4%</i>	<i>31.6%</i>	<i>27.7%</i>	<i>18.2%</i>	<i>100.0%</i>
Included YTD new plantings of :	145					
Plasma/outgrower Programme	5,249	48	3,232	8,053	18,846	35,428
31 Dec 2020						
Indonesia	13,405	11,799	72,222	32,167	22,378	151,971
Malaysia	13,949	12,898	11,146	8,348	13,359	59,700
Africa	5,735	7,805	5,084	1,033	725	20,382
Total planted area	33,089	32,502	88,452	41,548	36,462	232,053
<i>% of total planted area</i>	<i>14.3%</i>	<i>14.0%</i>	<i>38.1%</i>	<i>17.9%</i>	<i>15.7%</i>	<i>100.0%</i>
Included YTD new plantings of :	354					
Plasma/outgrower Programme	3,540	73	5,902	6,000	19,761	35,276

- Weighted average age of our plantations is approximately 13 years.

Non-Operating Items

US\$ million	1H2021	1H2020 ⁽¹⁾	FY2020
Foreign exchange loss in respect of intercompany loans to subsidiaries	(4.0)	(4.4)	(4.9)
Net fair value gain/(loss) on investment securities at fair value through profit or loss	9.6	(72.2)	(44.5)
(Loss)/gain on disposal of investment securities at fair value through profit or loss	(0.4)	3.2	2.3
Investment income from investment securities	18.9	58.3	110.5
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(3.1)	(5.7)	(9.1)
Net loss from fair value adjustment of investment properties	-	-	(2.8)
Net gain arising from changes in fair value of biological assets	-	-	6.1
Total	21.0	(20.8)	57.6
Net profit	750.9	610.5	1,534.1
Core net profit	732.2	635.5	1,486.3

⁽¹⁾ In accordance with SFRS(I) 3, the Group has restated prior period's figures subsequent to the finalisation of purchase price allocation exercise for the acquisition of Wilmar GF Singapore Holdings Pte. Ltd. ("GF") and its subsidiaries.

Cash Flow

US\$ million	1H2021	1H2020	FY2020
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Dividends	(737)	(433)	(619)
Proceeds from dilution of interest in a subsidiary	-	1	2,021
Others	(5)	153	123
Net cash flow	179	139	535
Free cash flow	(1,945)	1,356	916
Turnover days			
- Inventories	75	65	63
- Trade Receivables	34	34	32
- Trade Payables	14	15	14

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 increased by 21% to US\$11.44 billion as at 30 June 2021 largely due to higher commodity prices during the period and resulted in higher average inventory turnover days of 75 days in 1H2021. Inventory turnover days was much lower in the previous corresponding period due to the Covid-19 pandemic and lockdown situation in China in early 2020 which caused more households to stock up on food products, resulting in inventories being sold at a much faster pace in 1H2020.
- Trade receivables increased by US\$126.6 million to US\$5.40 billion in 1H2021, in line with the increase in sales revenue by the Group. Average turnover days remained comparable at 34 days.
- Trade payables decreased by US\$49.7 million to US\$1.66 billion in 1H2021 mainly due to timing of purchases. Average turnover days decreased to 14 days in 1H2021.

Funding and Liquidity

US\$ million	As at Jun 30, 2021		Balance
	Available	Utilised	
Credit facilities :			
Committed	10,080	8,588	1,492
Trade finance	37,103	19,157	17,946
Short term	1,094	474	620
Total credit facilities	48,277	28,219	20,058

- 68% of utilised facilities were trade financing lines as at June 30, 2021.
- 58% of total facilities were utilised as at June 30, 2021.
- In July 2021, Wilmar raised US\$1,500 million through a syndicated loan facility comprising a 5-year revolving credit facility of US\$1,200 million and a 5-year term loan of US\$300 million. The facility was upsized from US\$840 million to US\$1,500 million due to strong interest from lenders.

Key Indicators

	As at Jun 30, 2021	As at Dec 31, 2020
Return on Average Equity [#]	8.8%	8.6%
Return on Invested Capital [#]	5.4%	5.4%
in US cents		
EPS (fully diluted)	11.9	24.1
NTA per share	215.6	212.7
NAV per share	301.5	298.9
in Singapore cents		
Dividends (interim & final)	5.0 [*]	13.0
Dividends (special)	-	6.5

[#] Formulas :

Return on Average Equity = Net profit ÷ Average equity

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)

^{*} Only interim dividends