

WILMAR INTERNATIONAL LIMITED

4Q2017 Results Briefing

February 22, 2018




wilmar

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Agenda

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4Q2017 Financial Performance – Key Takeaways



Earnings Highlights

	4Q17 (US\$m)	vs 4Q16 △	FY17 (US\$m)	vs FY16 △
Revenue	11,548	-3%	43,846	6%
EBITDA	826	-2%	2,578	15%
Net profit	428	-24%	1,219	25%
Core net profit	374	-37%	1,047	7%
Earnings per share in US cents (fully diluted)	6.8	-24%	19.3	25%
Dividends per share In Singapore cents	7.0	75%	10.0	54%

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

	4Q17	4Q16	Δ	FY17	FY16	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	104.9	184.3	-43%	426.2	689.2	-38%
Oilseeds and Grains (Manufacturing & Consumer Products)	206.5	177.9	16%	735.0	251.1	>100%
Sugar (Milling, Merchandising, Refining & Consumer Products)	41.4	135.9	-70%	(24.6)	125.3	<i>n.m.</i>
Others	87.3	32.7	>100%	242.0	100.6	>100%
Joint Ventures & Associates	112.0	67.5	66%	228.3	141.0	62%
Unallocated expenses [#]	(3.4)	(0.5)	(>100%)	(9.2)	(7.2)	-27%
Profit Before Tax	548.7	597.8	-8%	1,597.7	1,300.0	23%

[#] Unallocated expenses refer to expenses in relation to the grant of share options to employees.

Cash Flow Highlights

US\$ million	FY17	FY16
Operating cash flow before working capital changes	2,596	2,021
Net cash flow generated from operating activities	386	1,124
Less: Acquisitions of subsidiaries, joint ventures and associates	(132)	(145)
Capital expenditure	(938)	(777)
Net increase/(decrease) from bank borrowings*	4,119	(695)
(Increase)/decrease in other deposits and financial products with financial institutions	(2,848)	774
Dividends	(320)	(371)
Share buy-back	-	(9)
Others	101	140
Net cash flow	368	41
Free cash flow	(156)	592

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 Dec 31, 2017	As at Dec 31, 2016
Debt/Equity (x)	0.79	0.81
- Net debt *	12,596	11,692
- Shareholders' funds	15,964	14,435
Adjusted debt/Equity (x)	0.26	0.35
- Liquid working capital **	8,375	6,706
- Adjusted net debt	4,222	4,986
- EBITDA	2,578	2,244
Net debt/EBITDA (x)	4.89	5.21
Adjusted net debt/EBITDA (x)	1.6	2.2

* 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)

- Net debt to equity ratio improved to 0.79x compared to 0.81x as at Dec 31, 2016.
- Adjusted debt to equity ratio improved to 0.26x from 0.35x as at Dec 31, 2016.

Business Outlook

- Our portfolio of high quality agribusiness enabled the Group to do well in 2017. Looking ahead, we expect our integrated business model to continue to achieve sustained growth. Barring unforeseen circumstances, performance in FY2018 is expected to be satisfactory.
- The internal restructuring of the Group's China operations, with a view to a possible separate listing, has been largely completed. We would like to emphasize that as the proposed listing is still at an evaluation stage, shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the listing proposal will be carried out.

Appendix



Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	4Q17	4Q16	Δ	FY17	FY16	Δ
Revenue (US\$ million)	4,649.6	4,801.9	-3%	18,067.2	16,855.2	7%
➤ <i>Plantation</i>	16.2	21.4	-24%	59.4	64.1	-7%
➤ <i>Manufacturing & Merchandising</i>	4,633.4	4,780.5	-3%	18,007.8	16,791.1	7%
Sales volume [#] ('000 MT)						
➤ <i>Manufacturing & Merchandising</i>	6,014	6,111	-2%	23,163	23,368	-1%
Profit before tax (US\$ million)	104.9	184.3	-43%	426.2	689.2	-38%

[#] Excludes plantation volume

- Profit before tax decreased by 43% in 4Q17 and 38% in FY17 due to lower processing margins in the downstream businesses and exacerbated by lower plantation yield and CPO prices during the quarter.
- Production yield, affected by the poor weather conditions, was down by 22% to 4.7 MT per hectare in 4Q17. Better production yield in 9M17 improved overall yield by 4% to 19.7 MT per hectare in FY17.
- Sales volume decreased marginally by 2% in 4Q17 and 1% in FY17. The decrease in volume was mainly due to lower biodiesel quota awarded in Indonesia. While this led to a 3% decrease in revenue in 4Q17, higher CPO prices in 9M17 increased revenue by 7% in FY17.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	4Q17	4Q16	Δ	FY17	FY16	Δ
Planted area (ha)	239,935	241,892	-1%	239,935	241,892	-1%
Mature area harvested (ha)	203,410	206,670	-2%	203,410	206,670	-2%
FFB production (MT)	920,534	1,207,485	-24%	3,922,904	3,817,969	3%
FFB Yield (MT/ha)	4.7	6.1	-22%	19.7	19.0	4%
Mill Production						
➤ Crude Palm Oil (MT)	453,633	545,820	-17%	1,742,618	1,740,298	0%
➤ Palm Kernel (MT)	110,807	135,087	-18%	421,574	424,913	-1%
Extraction Rate						
➤ Crude Palm Oil	20.0%	20.0%	0%	20.0%	20.0%	0%
➤ Palm Kernel	4.9%	5.0%	-2%	4.8%	4.9%	-1%

Plantation Age Profile

in hectares	Average Age of Plantation					
31 Dec 2017	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	11,844	11,181	102,044	11,743	26,618	163,430
Malaysia	12,841	7,669	9,472	8,911	19,098	57,991
Africa	9,721	2,753	4,806	980	254	18,514
Total planted area	34,406	21,603	116,322	21,634	45,970	239,935
<i>% of total planted area</i>	<i>14.3%</i>	<i>9.0%</i>	<i>48.5%</i>	<i>9.0%</i>	<i>19.2%</i>	<i>100.0%</i>
Included YTD new plantings of :	1,819					
Plasma/outgrower Programme	208	349	9,687	2,998	21,530	34,772
<i>% of planted area</i>	<i>0.6%</i>	<i>1.0%</i>	<i>27.9%</i>	<i>8.6%</i>	<i>61.9%</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
Total planted area	33,062	15,013	122,124	23,866	47,827	241,892
<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 11 years.

Business Segment results:

Oilseeds and Grains (Manufacturing and Consumer Products)

	4Q17	4Q16	Δ	FY17	FY16	Δ
Revenue (US\$ million)	5,459.5	4,617.4	18%	19,806.4	17,813.1	11%
➤ <i>Manufacturing</i>	3,894.4	3,046.3	28%	13,544.5	11,396.3	19%
➤ <i>Consumer Products</i>	1,565.1	1,571.1	0%	6,261.9	6,416.8	-2%
Sales volume ('000 MT)	9,196	7,485	23%	33,295	29,529	13%
➤ <i>Manufacturing</i>	7,834	6,117	28%	27,858	24,040	16%
➤ <i>Consumer Products</i>	1,362	1,368	0%	5,437	5,489	-1%
Profit before tax (US\$ million)	206.5	177.9	16%	735.0	251.1	>100%

- Good crush margins during the quarter, together with stronger sales by manufacturing led the Group to record robust results for the segment in 4Q17. Profit before tax improved by 16% in 4Q17 and tripled to US\$735.0 million in FY17. The improvement was partially offset by the effect of the early Chinese Spring Festival in 2017, which shifted seasonal demands for Consumer Products to 4Q16, causing the Group to record a marginal decrease in Consumer Products sales in 4Q17.
- Overall sales volume increased to 9.2 million MT in 4Q17 and increased to 33.3 million MT in FY17.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	4Q17	4Q16	Δ	FY17	FY16	Δ
Revenue (US\$ million)	1,180.2	2,308.4	-49%	5,054.7	5,861.8	-14%
➤ <i>Milling</i>	170.8	500.4	-66%	509.1	1,002.3	-49%
➤ <i>Merchandising, Refining & Consumer Products</i>	1,009.4	1,808.0	-44%	4,545.6	4,859.5	-6%
Sales volume ('000 MT)	3,196	5,008	-36%	11,882	13,544	-12%
➤ <i>Milling</i>	640	1,596	-60%	1,784	3,085	-42%
➤ <i>Merchandising, Refining & Consumer Products</i>	2,556	3,412	-25%	10,098	10,459	-3%
Profit/(Loss) before tax (US\$ million)	41.4	135.9	-70%	(24.6)	125.3	n.m.
Operating Statistics:						
➤ <i>Commercial Cane Sugar (%)</i>	13.3	13.6	-2%	13.6	13.3	2%
➤ <i>Cane Crushed (m MT)</i>	5.0	8.6	-42%	15.8	16.8	-6%

- Lower profit before tax in 4Q17 mainly due to timing effect from the new Australian Sugar marketing programme, in which certain proportion of sugar produced will only be sold in 1H18. The segment results were further impacted by the weaker performances from the Group's Merchandising, Refining and Consumer Products businesses and an impairment loss of US\$30.6 million on our Australia refinery assets. Consequently, the Group posted an overall loss of US\$24.6 million for FY17.
- Sales volume for the segment decreased in 4Q17 and FY17 from lower milling and merchandising activities.

Non-Operating Items

US\$ million	4Q17	4Q16	FY17	FY16
Profit before tax – reported	548.7	597.8	1,597.7	1,300.0
Foreign exchange gain/(loss) in respect of intercompany loans to subsidiaries	0.4	(2.5)	0.7	(4.8)
Net gain/(loss) from investment securities – HFT	48.0	(15.3)	158.5	28.2
Dividend income from investment securities – AFS	23.3	5.5	59.3	9.8
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(6.2)	(6.4)	(24.5)	(23.4)
Non-operating items gain/(loss) (pre-tax impact)	65.5	(18.7)	194.0	9.8
Net loss from biological assets	(10.0)	(16.0)	(10.0)	(16.0)
Profit before tax - excl non-operating items	493.2	632.5	1,413.7	1,306.2
Net profit – reported	427.5	560.8	1,219.3	972.2
Non-operating items gain/(loss) (post-tax impact)	53.6	(28.7)	171.8	(4.4)
Core net profit	373.9	589.5	1,047.5	976.6

Cash Flow

US\$ million	FY17	FY16
Operating cash flow before working capital changes	2,596	2,021
Net cash flow from operating activities	386	1,124
Less : Acquisitions of subsidiaries, joint ventures and associates	(132)	(145)
Capital expenditure	(938)	(777)
Net increase/(decrease) from bank borrowings*	4,119	(695)
(Increase)/decrease in other deposits and financial products with financial institutions	(2,848)	774
Dividends	(320)	(371)
Share buy-back	-	(9)
Others	101	140
Net cash flow	368	41
Free cash flow	(156)	592
Turnover days		
- Inventories	66	64
- Trade Receivables	33	33
- Trade Payables	12	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 increased 17% to US\$8.2 billion in FY17 (FY16: US\$7.0 billion), reflecting higher stockholding during the period, particularly in China where there was high volume of soybeans arrival during the year. Average turnover days increased to 66 days for FY17 (FY16: 64 days).
- Trade receivables increased marginally to US\$4.1 billion while average turnover days remained comparable at 33 days in FY17.
- Trade payables decreased by US\$405.4 million to US\$1.1 billion in FY17 mainly due to timing of purchases. Average turnover days remained comparable at 12 days in FY17.

Funding and Liquidity

US\$ million	As at Dec 31, 2017		Balance
	Available	Utilised	
Credit facilities :			
Committed	8,909	7,346	1,563
Trade finance	24,038	12,338	11,700
Short term	722	143	579
Total credit facilities	33,669	19,827	13,842

- 62% of utilised facilities were trade financing lines, backed by inventories and receivables.
- 59% of total facilities were utilised as at December 31, 2017.

Key Indicators

	As at Dec 31, 2017	As at Dec 31, 2016
Return on Average Equity [#]	8.0%	6.7%
Return on Average Capital Employed [#]	5.0%	4.5%
Return on Invested Capital [#]	5.2%	4.6%
in US cents		
EPS (fully diluted)	19.3	15.4
NTA per share	183.0	159.4
NAV per share	252.4	228.5
in Singapore cents		
Dividends (interim & final)	10.0	6.5

[#] Formulas :

Return on Average Equity = Net profit ÷ Average equity

Return on Average Capital Employed = EBIT × (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)