

WILMAR INTERNATIONAL LIMITED

3Q2018 Results Highlights

November 12, 2018




wilmar

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3Q2018 Financial Performance – Key Takeaways



Earnings Highlights

	3Q18 (US\$m)	vs 3Q17 ⁽¹⁾ △	9M18 (US\$m)	vs 9M17 ⁽¹⁾ △
Revenue	11,606	4%	33,573	4%
EBITDA	908	19%	2,167	22%
Net profit	407	11%	927	21%
Net Profit - excluding discontinued operations	435	18%	955	24%
Core net profit	435	35%	970	49%
Earnings per share in US cents (fully diluted)	6.4	10%	14.7	20%
Earnings per share In US cents (fully diluted) - excluding discontinued operations	6.9	19%	15.1	24%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

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

	3Q18	3Q17 ⁽¹⁾	Δ	9M18	9M17 ⁽¹⁾	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	155.5	80.6	93%	412.0	294.2	40%
Oilseeds and Grains (Manufacturing & Consumer Products)	296.9	252.8	17%	759.7	520.8	46%
Sugar (Milling, Merchandising, Refining & Consumer Products)	76.4	75.2	2%	(8.9)	(66.1)	87%
Others	(7.4)	56.5	<i>n.m.</i>	2.4	155.5	-98%
Joint Ventures & Associates	66.4	51.3	29%	157.4	116.5	35%
Unallocated expenses [#]	(2.5)	(1.9)	-32%	(8.4)	(5.7)	-47%
Profit Before Tax	585.3	514.5	14%	1,314.2	1,015.2	29%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

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

n.m. – not meaningful

Cash Flow Highlights

US\$ million	9M18	9M17⁽¹⁾	FY17⁽¹⁾
Operating cash flow before working capital changes	1,197	1,674	2,596
Net cash flow generated from operating activities	1,651	1,499	386
Less: Acquisitions of subsidiaries, joint ventures and associates	(404)	(96)	(132)
Capital expenditure	(956)	(611)	(938)
Net increase from bank borrowings*	3,880	2,540	4,119
Increase in other deposits and financial products with financial institutions	(3,628)	(2,799)	(2,848)
Dividends	(495)	(320)	(320)
Others	338	158	101
Net cash flow	386	371	368
Free cash flow	773	1,232	(156)

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

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, 2018	As at Dec 31, 2017 ⁽¹⁾
Debt/Equity (x)	0.81	0.79
- Net debt [*]	12,832	12,596
- Shareholders' funds	15,857	15,964
Adjusted debt/Equity (x)	0.38	0.26
- Liquid working capital ^{**, #}	6,857	8,375
- Adjusted net debt [#]	5,975	4,221
- EBITDA ^{***}	3,008	2,615
Net debt/EBITDA (x)	4.27	4.82
Adjusted net debt/EBITDA (x) [#]	2.0	1.6

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

^{*} 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 Sep18 is based on LTM performance.

[#] Does not include Brazil discontinued operations.

- Net debt to equity ratio increased to 0.81x compared to 0.79x as at Dec 31, 2017.
- Adjusted debt to equity ratio increased to 0.38x from 0.26x as at Dec 31, 2017.

Business Outlook

- Performance of the new processing plants we have invested in the past years, especially in China, Indonesia and India, continues to improve and this has helped us achieve the current good set of results. We expect most of our operations to continue to do well in the coming quarter, due to generally better processing margins.
- Overall, we are cautiously optimistic that performance for the rest of the year will be satisfactory.

Appendix



Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	3Q18	3Q17 ⁽¹⁾	Δ	9M18	9M17 ⁽¹⁾	Δ
Revenue (US\$ million)	4,250.4	4,310.2	-1%	12,934.6	13,417.7	-4%
➤ <i>Plantation</i>	13.7	14.0	-2%	41.1	43.3	-5%
➤ <i>Manufacturing & Merchandising</i>	4,236.7	4,296.2	-1%	12,893.5	13,374.4	-4%
Sales volume [#] ('000 MT)						
➤ <i>Manufacturing & Merchandising</i>	6,257	5,749	9%	17,633	17,149	3%
Profit before tax (US\$ million)	155.5	80.6	93%	412.0	294.2	40%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

[#] Excludes plantation volume

- Profit before tax increased by 93% in 3Q18, boosted by stronger performance from the manufacturing and merchandising business. The higher palm oil production volume led to improvements in downstream margins.
- Production yield improved 10% to 5.7 MT per hectare in 3Q18 and 9% to 16.4 MT per hectare in 9M18 as a result of favourable weather conditions and better yield trend.
- Sales volume increased by 9% in 3Q18, largely aided by higher biodiesel volume and increased demand for the downstream products. Weaker commodity prices led to lower overall revenues in 3Q18 and 9M18.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	3Q18	3Q17	Δ	9M18	9M17	Δ
Planted area (ha)	228,443	237,212	-4%	228,443	237,212	-4%
Mature area harvested (ha)	194,429	205,848	-6%	194,429	205,848	-6%
FFB production (MT)	1,117,679	1,032,124	8%	3,184,102	3,002,370	6%
FFB Yield (MT/ha)	5.7	5.2	10%	16.4	15.0	9%
Mill Production						
➤ Crude Palm Oil (MT)	574,289	486,022	18%	1,432,738	1,288,985	11%
➤ Palm Kernel (MT)	140,254	119,282	18%	348,806	310,767	12%
Extraction Rate						
➤ Crude Palm Oil	19.7%	19.7%	0%	19.8%	19.9%	-1%
➤ Palm Kernel	4.8%	4.8%	0%	4.8%	4.8%	0%

Plantation Age Profile

in hectares	Average Age of Plantation					
30 Sep 2018	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	10,806	12,028	89,545	11,886	27,554	151,819
Malaysia	13,875	9,421	9,749	8,521	15,765	57,331
Africa	5,881	9,258	1,913	1,706	535	19,293
Total planted area	30,562	30,707	101,207	22,113	43,854	228,443
<i>% of total planted area</i>	<i>13.4%</i>	<i>13.4%</i>	<i>44.3%</i>	<i>9.7%</i>	<i>19.2%</i>	<i>100.0%</i>
Included YTD new plantings of :	3,419					
Plasma/outgrower Programme	48	142	9,431	3,130	23,054	35,805
<i>% of planted area</i>	<i>0.1%</i>	<i>0.4%</i>	<i>26.3%</i>	<i>8.7%</i>	<i>64.4%</i>	<i>100.0%</i>
31 Dec 2017						
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>

- Weighted average age of our plantations is approximately 11 years.

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

	3Q18	3Q17 ⁽¹⁾	Δ	9M18	9M17 ⁽¹⁾	Δ
Revenue (US\$ million)	5,992.4	5,537.8	8%	16,967.5	14,346.8	18%
➤ Manufacturing	4,151.0	3,719.1	12%	11,778.5	9,650.1	22%
➤ Consumer Products	1,841.4	1,818.7	1%	5,189.0	4,696.7	10%
Sales volume ('000 MT)	10,155	9,160	11%	27,743	24,099	15%
➤ Manufacturing	8,515	7,626	12%	23,294	20,024	16%
➤ Consumer Products	1,640	1,534	7%	4,449	4,075	9%
Profit before tax (US\$ million)	296.9	252.8	17%	759.7	520.8	46%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence

- The segment recorded another good quarter, with profit increasing by 17% in 3Q18. Strong crush margins with higher volume and good performance from the Consumer Products business were the main drivers for the better performance. Together with the strong set of results recorded during the first half of the year, overall profit for the segment increased by 46% for 9M18.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	3Q18	3Q17	Δ	9M18	9M17	Δ
Revenue (US\$ million)	1,119.4	1,038.1	8%	2,978.4	3,874.5	-23%
➤ Milling	368.1	262.4	40%	508.7	338.3	50%
➤ Merchandising, Refining & Consumer Products	751.3	775.7	-3%	2,469.7	3,536.2	-30%
Sales volume ('000 MT)	4,487	3,061	47%	9,474	8,686	9%
➤ Milling	2,083	916	127%	2,343	1,144	105%
➤ Merchandising, Refining & Consumer Products	2,404	2,145	12%	7,131	7,542	-5%
Profit/(Loss) before tax (US\$ million)	76.4	75.2	2%	(8.9)	(66.1)	87%
Operating Statistics:						
➤ Commercial Cane Sugar (%)	14.7	13.9	6%	14.5	13.7	6%
➤ Cane Crushed (m MT)	9.6	9.7	-1%	11.3	10.8	5%

- Results for the quarter improved on the back of stronger performance in the merchandising business, partially offset by losses incurred by the Group's newly acquired subsidiary, Shree Renuka Sugars Limited (SRSL). This resulted in a marginal 2% increase in profit in 3Q18 while overall losses for 9M18 was lower at US\$8.9 million.
- The improvement in sales by the milling business was due to the change in the Australian sugar marketing programme in 2017, which resulted in a portion of sugar produced in 2017 being sold in the current year. Correspondingly, revenue increased by 8% in 3Q18. For 9M18, revenue decreased by 23% due to weaker merchandising activities during the first half of the year.

Non-Operating Items and Discontinued Operations

US\$ million	3Q18	3Q17 ⁽¹⁾	9M18	9M17 ⁽¹⁾
Foreign exchange (loss)/gain in respect of intercompany loans to subsidiaries	(3.7)	0.4	(7.4)	0.3
Net gain/(loss) from investment securities – HFT	11.2	24.9	(37.6)	110.5
Dividend income from investment securities – AFS	6.7	31.8	61.4	36.0
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(8.3)	(6.0)	(22.8)	(18.3)
Total non-operating items (excluding discontinued operations)	5.9	51.1	(6.4)	128.5
Loss from discontinued operations	(47.1)	-	(47.1)	-
Total non-operating items (including discontinued operations)	(41.2)	51.1	(53.5)	128.5
Net profit (excluding discontinued operations)	434.9	368.1	954.6	769.0
Core net profit	434.7	321.7	970.0	650.8

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

Cash Flow

US\$ million	9M18	9M17⁽¹⁾	FY17⁽¹⁾
Operating cash flow before working capital changes	1,197	1,674	2,596
Net cash flow from operating activities	1,651	1,499	386
Less : Acquisitions of subsidiaries, joint ventures and associates	(404)	(96)	(132)
Capital expenditure	(956)	(611)	(938)
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Increase in other deposits and financial products with financial institutions	(3,628)	(2,799)	(2,848)
Dividends	(495)	(320)	(320)
Others	338	158	101
Net cash flow	386	371	368
Free cash flow	773	1,232	(156)
Turnover days			
- Inventories	72	66	67
- Trade Receivables	33	34	33
- Trade Payables	12	12	12

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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 decreased from December 2017 by 10.4% to US\$7.4 billion as at 30 September 2018, due to lower stockholding of consumer products in China which resulted from the post Chinese Spring Festival seasonal impact. Average turnover days was 72 days for 9M18.
- Trade receivables increased marginally by US\$93.6 million to US\$4.2 billion in 9M18. Average turnover days remained comparable at 33 days in 9M18.
- Trade payables increased by US\$763.2 million to US\$1.9 billion in 9M18 mainly as a result of the acquisition of our new subsidiary, SRSL. Excluding the impact of this acquisition, average turnover days improved to 10 days in 9M18.

Funding and Liquidity

US\$ million	As at Sep 30, 2018		Balance
	Available	Utilised	
Credit facilities :			
Committed	10,111	8,125	1,986
Trade finance	27,612	15,552	12,060
Short term	874	263	611
Total credit facilities	38,597	23,940	14,657

- 65% of utilised facilities were trade financing lines as at September 30, 2018.
- 62% of total facilities were utilised as at September 30, 2018.

Key Indicators

	As at Sep 30, 2018 ⁽¹⁾	As at Dec 31, 2017 ⁽¹⁾
Return on Average Equity ^{*,#}	8.5%	7.9%
Return on Average Capital Employed ^{*,#}	5.7%	5.1%
Return on Invested Capital ^{*,#}	5.6%	5.3%
in US cents		
EPS (fully diluted)	14.7	18.9
EPS (fully diluted) - excluding discontinued operations	15.1	18.9
NTA per share	177.9	183.0
NAV per share	250.6	252.4

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence.

* Sep 18 returns based on LTM performances

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)