

WILMAR INTERNATIONAL LIMITED

1H2020 Results Briefing

August 11, 2020




wilmar

IMPORTANT NOTICE

Information in this presentation may contain projections and forward looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

This presentation does not constitute or form part of any opinion on any advice to sell, or any solicitation of any offer to purchase or subscribe for, any shares nor shall it or any part of it nor the fact of its presentation form the basis of, or be relied upon in connection with, any contract or investment decision.

Agenda

1

1H2020 Financial Performance – Key Takeaways

2

Business Outlook

3

Appendix

1H2020 Financial Performance – Key Takeaways



Earnings Highlights

	1H2020 (US\$m)	vs 1H2019 △
Revenue	22,658	12%
EBITDA	1,489	25%
Net profit	611	50%
Net Profit - excluding discontinued operations	611	39%
Core net profit	636	49%
Earnings per share in US cents (fully diluted)	9.6	50%
Earnings per share in US cents (fully diluted) - excluding discontinued operations	9.6	37%
Dividends per share in Singapore cents	4.0	33%

Change in Segment Reporting

With effect from January 2020, the Group adopted a new segment classification for reporting its segment revenue and results. The change in segments better reflects the Group's core businesses and strategy. Previously, the Group has segmented its business based on different agricultural commodities. Going forward, the four reporting segments will be based on the types of products, namely Food Products, Feed and Industrial Products, Plantation and Sugar Milling, and Others. Beginning in FY2020, our financial statements will reflect the new reporting segments with prior periods adjusted accordingly. This reclassification will have no impact on the consolidated revenue, operating income or profit for the Group.

Food Products

Processing, branding and distribution of a wide range of edible food products, which includes vegetable oil produced from palm and oilseeds, sugar, flour, rice, noodles, specialty fats, snacks, bakery and dairy products. These food products are sold in either consumer and medium packaging or in bulk depending on customer requirements.

Feed and Industrial Products

Processing, merchandising and distribution of products, which includes animal feeds, non-edible palm and lauric products, agricultural commodities, oleochemicals, gas oil and biodiesel.

Plantation and Sugar Milling

Oil palm plantation and sugar milling activities, which includes the cultivation and milling of palm oil and sugarcane.

Others

Manufacturing and distribution of fertiliser products, logistics & jetty port services, and investment activities.

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

	1H2020	1H2019	Δ	FY2019
Food Products	495.1	408.3	21%	974.5
Feed and Industrial Products	370.8	181.0	>100%	630.3
Plantation and Sugar Milling	(82.9)	(103.5)	20%	(41.3)
Others	(41.2)	0.5	<i>n.m.</i>	(7.5)
Joint Ventures & Associates	84.1	42.8	96%	153.0
Unallocated expenses [#]	(0.9)	(9.0)	90%	(10.5)
Profit Before Tax	825.0	520.1	59%	1,698.5

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

Sales Volume by Business Segment

	1H2020	1H2019	Δ	FY2019
Food Products	12,264	11,822	4%	24,301
Consumer Products	4,726	3,673	29%	7,724
Medium Pack and Bulk	7,538	8,149	-7%	16,577
Feed and Industrial Products	26,345	24,058	10%	52,388
Tropical Oils	10,714	11,614	-8%	23,863
Oilseeds and Grains	10,182	8,379	22%	18,284
Sugar	5,449	4,065	34%	10,241
Plantation and Sugar Milling[#]				
Sugar Milling	1,321	1,024	29%	3,986
Total	39,930	36,904	8%	80,675

[#] Excludes oil palm plantation volume

Cash Flow Highlights

US\$ million	1H2020	1H2019	FY2019
Operating cash flow before working capital changes	1,354	1,204	2,894
Net cash flow generated from operating activities	2,072	2,393	3,338
Less: Acquisitions of subsidiaries, joint ventures and associates	(213)	(29)	(129)
Capital expenditure	(848)	(830)	(1,813)
Net increase/(decrease) from bank borrowings*	830	124	(385)
Increase in other deposits and financial products with financial institutions	(1,423)	(1,178)	(238)
Dividends	(433)	(325)	(462)
Others	154	47	142
Net cash flow	139	202	453
Free cash flow	1,356	1,971	2,065

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, 2020	As at Dec 31, 2019
Debt/Equity (x)	0.77	0.79
- Net debt [*]	12,610	13,219
- Shareholders' funds	16,483	16,763
Adjusted debt/Equity (x)	0.40	0.37
- Liquid working capital ^{**,#}	5,970	7,100
- Adjusted net debt [#]	6,640	6,119
- EBITDA ^{***}	3,325	3,024
Net debt/EBITDA (x)	3.79	4.37
Adjusted net debt/EBITDA (x) [#]	2.0	2.0

^{*} 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 based on LTM performance

[#] Exclude discontinued operations.

- Net debt to equity ratio improved to 0.77x as at Jun 30, 2020.
- Adjusted debt to equity ratio increased slightly to 0.40x as at Jun 30, 2020.

Business Outlook

- The COVID-19 pandemic has severely impacted the global economy and brought about significant disruptions and market volatility in the countries where the Group operates, with lockdowns introduced by governments in many countries to prevent the spread of the virus. We have been fortunate that our operations have not been significantly impacted as the Group's business is predominantly in the production and distribution of essential food products. Further, China, the country where the Group has the largest operations, has recovered from this pandemic earlier than most countries. We are also aided by having many integrated manufacturing complexes in our major markets which helped to ensure continuous supply of our products during the lockdowns.
- The Group has produced a resilient set of results for 1H2020 amidst the COVID-19 pandemic. Both our Food Products and Feed and Industrial Products segments did well in 1H2020, on the back of strong recovery in 2Q2020, and are expected to continue to perform well for the rest of the year. The recent increase in palm prices will also contribute favourably to our Plantations business. We are cautiously optimistic that our second half performance will be satisfactory.
- Our Chinese subsidiary, Yihai Kerry Arawana Holdings Co., Ltd, has obtained listing clearance from the Shenzhen Stock Exchange ("SZSE") ChiNext Board Listing Committee (the "Committee") and has submitted the updated prospectus to the China Securities Regulatory Commission ("CSRC") for final registration approval for listing on SZSE ChiNext Board. We would like to emphasize that although listing clearance from the Committee has been obtained, there is no certainty or assurance as at the date of this announcement that the listing proposal will be carried out as it is still subject to CSRC approval and market conditions. Shareholders are advised to exercise caution in trading their shares in the Company.

Appendix



Business Segment results:

Food Products (Consumer Products, Medium Pack and Bulk)

	1H2020	1H2019	Δ
Revenue (US\$ million)	10,377.9	9,385.1	11%
➤ <i>Consumer Products</i>	5,303.7	3,787.5	40%
➤ <i>Medium Pack and Bulk</i>	5,074.2	5,597.6	-9%
Sales volume ('000 MT)	12,264	11,822	4%
➤ <i>Consumer Products</i>	4,726	3,673	29%
➤ <i>Medium Pack and Bulk</i>	7,538	8,149	-7%
Profit before tax (US\$ million)	495.1	408.3	21%

- Strong demand for consumer products in 1H2020 boosted the performance of the segment. This improvement was partially offset by lower sales in the medium pack and bulk businesses, as demand from the hotels/restaurants/catering (HORECA) industry was weak in the first quarter of 2020 due to lockdowns in the major markets where the Group operates.
- For 1H2020, consumer products sales improved by 29% to 4.7 million MT while medium pack and bulk sales decreased by 7% to 7.5 million MT. Correspondingly, revenue for consumer products sales increased by 40% to US\$5.3 billion while revenue for medium pack and bulk sales decreased by 9% to US\$5.1 billion.

Business Segment results:

Feed and Industrial Products (Tropical Oils, Oilseeds and Grains and Sugar)

	1H2020	1H2019	Δ
Revenue (US\$ million)	12,917.7	11,253.8	15%
➤ Tropical Oils	7,524.5	7,110.9	6%
➤ Oilseeds and Grains	3,545.5	2,854.4	24%
➤ Sugar	1,847.7	1,288.5	43%
Sales volume ('000 MT)	26,345	24,058	10%
➤ Tropical Oils	10,714	11,614	-8%
➤ Oilseeds and Grains	10,182	8,379	22%
➤ Sugar	5,449	4,065	34%
Profit before tax (US\$ million)	370.8	181.0	>100%

- Profit for the segment jumped to US\$370.8 million in 1H2020 on the back of a strong recovery in Oilseeds & Grains, as demand in China recovered from the African swine fever outbreak that occurred in the previous year. This resulted in strong crush margins and volume during the period. In addition, higher sugar merchandising activities in 1H2020 further improved the performance of the segment. Nevertheless, the improved performance was partially affected by lower performance in Tropical Oils.
- Overall volume for the segment increased by 10% to 26.3 million MT in 1H2020, mainly driven by improved sales in both Oilseeds & Grains and Sugar businesses. Revenue for the segment increased by 15% to US\$12.9 billion in 1H2020.

Business Segment results: Plantation and Sugar Milling

	1H2020	1H2019	Δ
Revenue (US\$ million)	941.2	843.2	12%
➤ Oil Palm Plantation	484.6	480.0	1%
➤ Sugar Milling	456.6	363.2	26%
Sales volume ('000 MT) [#]	1,321	1,024	29%
➤ Sugar Milling			
Loss before tax (US\$ million)	(82.9)	(103.5)	20%

[#] Excludes oil palm plantation volume

- Losses before tax for the segment was lower at US\$82.9 million mainly aided by better performance from the palm oil plantation business, on the back of stronger palm oil prices compared to 1H2019. While total mature hectareage increased in the current period, production yield decreased marginally to 9.8 MT per hectare in 1H2020 as a result of a younger palm oil plantation age profile due to the Group's replanting activities in recent years. Total fresh fruit bunches production for 1H2020 increased marginally to 1,908,757 MT.
- Performance for Sugar Milling was weaker during the current period, mainly due to lower sugar prices in early 1H2020. While sugar prices started recovering towards the end of the current period, the prices were still lower compared to 1H2019. In addition, the Group recognised a US\$20.0 million impairment of property, plant and equipment on the sugar milling assets in India during the current period. Sales volume for sugar milling operations increased by 29% to 1.3 million MT in 1H2020 while revenue increased by 26% to US\$456.6 million.

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

	1H2020	1H2019	Δ	FY2019
Planted area (ha)	231,268	230,696	0%	232,940
Mature area harvested (ha)	195,243	191,353	2%	194,713
FFB production (MT)	1,908,757	1,898,714	1%	3,914,613
FFB Yield (MT/ha)	9.8	9.9	-1%	20.1
Mill Production				
➤ Crude Palm Oil (MT)	804,953	916,784	-12%	1,903,413
➤ Palm Kernel (MT)	192,720	227,349	-15%	467,064
Extraction Rate				
➤ Crude Palm Oil	20.1%	19.4%	3%	19.5%
➤ Palm Kernel	4.8%	4.8%	0%	4.8%
New Planting (ha)	233	1,618	-86%	1,859

Plantation Age Profile

in hectares	Average Age of Plantation					
30 Jun 2020	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	10,145	11,799	72,397	32,232	24,921	151,494
Malaysia	15,782	11,337	9,690	8,580	13,994	59,383
Africa	5,721	7,820	5,092	1,033	725	20,391
Total planted area	31,648	30,956	87,179	41,845	39,640	231,268
<i>% of total planted area</i>	<i>13.7%</i>	<i>13.4%</i>	<i>37.7%</i>	<i>18.1%</i>	<i>17.1%</i>	<i>100.0%</i>
Included YTD new plantings of :	233					
Plasma/outgrower Programme	1,851	73	5,827	6,000	20,936	34,687
31 Dec 2019						
Indonesia	13,883	11,826	86,564	15,438	25,043	152,754
Malaysia	15,097	11,314	9,686	8,652	15,120	59,869
Africa	5,647	8,610	4,303	1,033	724	20,317
Total planted area	34,627	31,750	100,553	25,123	40,887	232,940
<i>% of total planted area</i>	<i>14.9%</i>	<i>13.6%</i>	<i>43.2%</i>	<i>10.8%</i>	<i>17.5%</i>	<i>100.0%</i>
Included YTD new plantings of :	1,859					
Plasma/outgrower Programme	66	64	9,010	3,228	23,023	35,391

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

Non-Operating Items

US\$ million	1H2020	1H2019
Foreign exchange (loss)/gain in respect of intercompany loans to subsidiaries	(4.4)	1.3
Net fair value (loss)/gain on investment securities at fair value through profit or loss	(72.2)	14.3
Gain on disposal of investment securities at fair value through profit or loss	3.2	-
Investment income from investment securities	58.3	17.6
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(5.7)	(17.5)
Total non-operating items (excluding discontinued operations)	(20.8)	15.7
Loss from discontinued operations	-	(55.5)
Total	(20.8)	(39.8)
Net profit (including discontinued operations)	610.9	407.9
Core net profit	635.9	427.1

Cash Flow

US\$ million	1H2020	1H2019	FY2019
Operating cash flow before working capital changes	1,354	1,204	2,894
Net cash flow generated from operating activities	2,072	2,393	3,338
Less: Acquisitions of subsidiaries, joint ventures and associates	(213)	(29)	(129)
Capital expenditure	(848)	(830)	(1,813)
Net (decrease)/increase from bank borrowings*	830	124	(385)
Increase in other deposits and financial products with financial institutions	(1,423)	(1,178)	(238)
Dividends	(433)	(325)	(462)
Others	154	47	142
Net cash flow	139	202	453
Free cash flow	1,356	1,971	2,065
Turnover days			
- Inventories	65	77	71
- Trade Receivables	34	37	34
- Trade Payables	15	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 decreased by 14% to US\$6.8 billion as at 30 June 2020 due to lower inventory stockholding in China, mainly from the post Chinese Spring Festival seasonal impact and the higher inventory turnover as a result of increased demand for food products in China. The COVID-19 lockdown situation in China during the earlier part of the year caused consumers to stock up more household food products. Consequently, average inventory turnover days improved from 77 days in 1H2019 to 65 days in 1H2020.
- Despite higher sales during the period, trade receivables decreased by US\$259.4 million to US\$4.0 billion in 1H2020 as a result of tighter credit controls measures adopted by the Group. Consequently, average turnover days for 1H2020 improved to 34 days.
- Trade payables was comparable at US\$1.7 billion in 1H2020 (FY2019: US\$1.7 billion), while average turnover days remained at 15 days.

Funding and Liquidity

US\$ million	As at Jun 30, 2020		Balance
	Available	Utilised	
Credit facilities :			
Committed	9,654	7,958	1,696
Trade finance	34,571	16,347	18,224
Short term	1,012	280	732
Total credit facilities	45,237	24,585	20,652

- 66% of utilised facilities were trade financing lines as at June 30, 2020.
- 54% of total facilities were utilised as at June 30, 2020.

Key Indicators

	As at Jun 30, 2020	As at Dec 31, 2019
Return on Average Equity ^{#,*}	9.0%	7.9%
Return on Invested Capital ^{#,*}	5.2%	4.9%
in US cents		
EPS (fully diluted)	9.6	20.4
EPS (fully diluted) - excluding discontinued operations	9.6	20.0
NTA per share	175.1	179.4
NAV per share	259.3	264.4
in Singapore cents		
Dividends (interim & final)	4.0 ^{**}	12.5

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)

* Jun 2020 returns based on LTM performance

** Only interim dividends