

WILMAR INTERNATIONAL LIMITED

1Q2018 Results Highlights

May 10, 2018




wilmar

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Agenda

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1Q2018 Financial Performance – Key Takeaways



Earnings Highlights

	1Q18 (US\$m)	vs 1Q17 △
Revenue	11,169	6%
EBITDA	559	-19%
Net profit	203	-41%
Core net profit	183	-37%
Earnings per share in US cents (fully diluted)	3.2	-41%

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

	1Q18	1Q17 ⁽¹⁾	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	101.7	155.2	-34%
Oilseeds and Grains (Manufacturing & Consumer Products)	172.6	207.7	-17%
Sugar (Milling, Merchandising, Refining & Consumer Products)	(39.0)	(34.5)	-13%
Others	36.1	70.3	-49%
Joint Ventures & Associates	41.5	41.9	-1%
Unallocated expenses [#]	(3.6)	(2.0)	-77%
Profit Before Tax	309.3	438.6	-29%

⁽¹⁾ Based on restated numbers 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.

Cash Flow Highlights

US\$ million	1Q18	1Q17 ⁽¹⁾	FY17 ⁽¹⁾
Operating cash flow before working capital changes	839	473	2,596
Net cash flow generated from/(used in) operating activities	1,831	(22)	386
Less: Acquisitions of subsidiaries, joint ventures and associates	(291)	(10)	(132)
Capital expenditure	(289)	(175)	(938)
Net increase from bank borrowings*	1,231	1,005	4,119
Increase in other deposits and financial products with financial institutions	(2,149)	(43)	(2,848)
Dividends	-	-	(320)
Others	148	16	101
Net cash flow	482	771	368
Free cash flow	1,443	(72)	(156)

⁽¹⁾ Based on restated numbers 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 Mar 31, 2018	As at Dec 31, 2017 ⁽¹⁾
Debt/Equity (x)	0.68	0.79
- Net debt *	11,206	12,596
- Shareholders' funds	16,487	15,964
Adjusted debt/Equity (x)	0.28	0.26
- Liquid working capital **	6,656	8,375
- Adjusted net debt	4,550	4,221
- EBITDA***	2,488	2,615
Net debt/EBITDA*** (x)	4.50	4.82
Adjusted net debt/EBITDA*** (x)	1.8	1.6

⁽¹⁾ Based on restated numbers 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 Mar 18 is based on LTM performance.

- Net debt to equity ratio improved to 0.68x compared to 0.79x as at Dec 31, 2017.
- Adjusted debt to equity ratio increased slightly to 0.28x from 0.26x as at Dec 31, 2017.

Business Outlook

- The prospect of China imposing import tariffs on US soybeans will result in soybean prices staying volatile for the coming quarters. Even though performance of our Oilseed Crushing business will not be affected in the short term, a prolonged standoff between China and the US would affect the utilization of our crushing plants. Nevertheless, we foresee that any negative effect will be partially mitigated by better performances from both our flour and rice businesses. In addition, with the improvements in production yields and better margins from downstream operations, Tropical Oils segment will likely perform better in the subsequent quarters.
- Overall, we are cautiously optimistic that performance for the remaining year will be satisfactory.

Appendix



Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	1Q18	1Q17	Δ
Revenue (US\$ million)	4,413.5	4,642.9	-5%
➤ <i>Plantation</i>	13.8	18.1	-23%
➤ <i>Manufacturing & Merchandising</i>	4,399.7	4,624.8	-5%
Sales volume [#] ('000 MT)	5,727	5,650	1%
➤ <i>Manufacturing & Merchandising</i>			
Profit before tax (US\$ million)	101.7	155.2 ⁽¹⁾	-34%

[#] Excludes plantation volume

⁽¹⁾ Based on restated numbers upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence

- Amidst headwinds faced by the industry, the Tropical Oils segment recorded profits of \$101.7 million for the quarter. While the segment saw an improvement in plantation production yield and sales volume in 1Q18, overall results were impacted by lower CPO prices and poor margins in the downstream businesses.
- Favourable weather conditions in 1Q18 saw production yield improve by 6.5% to 4.9 MT per hectare.
- Sales volume increased marginally by 1% in 1Q18. This improvement in sales was unable to overcome the lower CPO prices during the quarter, dragging down overall revenue by 4.9% to US\$4.4 billion in 1Q18.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	1Q18	1Q17	Δ
Planted area (ha)	237,455	241,197	-2%
Mature area harvested (ha)	206,380	210,928	-2%
FFB production (MT)	984,998	938,771	5%
FFB Yield (MT/ha)	4.9	4.6	7%
Mill Production			
➤ Crude Palm Oil (MT)	402,047	393,696	2%
➤ Palm Kernel (MT)	96,817	97,061	0%
Extraction Rate			
➤ Crude Palm Oil	20.1%	20.0%	1%
➤ Palm Kernel	4.9%	4.9%	-2%
New Planting (ha)	71	20	

Business Segment results:

Oilseeds and Grains (Manufacturing and Consumer Products)

	1Q18	1Q17	Δ
Revenue (US\$ million)	5,671.6	4,464.5	27%
➤ <i>Manufacturing</i>	3,683.3	2,788.3	32%
➤ <i>Consumer Products</i>	1,988.3	1,676.2	19%
Sales volume ('000 MT)	8,855	7,118	24%
➤ <i>Manufacturing</i>	7,240	5,696	27%
➤ <i>Consumer Products</i>	1,615	1,422	14%
Profit before tax (US\$ million)	172.6	207.7 ⁽¹⁾	-17%

⁽¹⁾ Based on restated numbers upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence

- Higher crushed volume and Consumer Products sales due to the later Chinese Spring Festival in 2018, led overall sales volume to surge by 24.4% to 8.9 million MT in 1Q18.
- Satisfactory performance in Oilseed Crushing and Consumer Products businesses enabled the segment to report a profit before tax of US\$172.6 million in 1Q18.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	1Q18	1Q17	Δ
Revenue (US\$ million)	835.6	1,236.5	-32%
➤ <i>Milling</i>	45.6	42.9	6%
➤ <i>Merchandising, Refining & Consumer Products</i>	790.0	1,193.6	-34%
Sales volume ('000 MT)	2,187	2,488	-12%
➤ <i>Milling</i>	129	203	-37%
➤ <i>Merchandising, Refining & Consumer Products</i>	2,058	2,285	-10%
Loss before tax (US\$ million)	(39.0)	(34.5)	-13%

- Sales volume for the segment decreased by 12.1% to 2.2 million MT in 1Q18 from lower milling and merchandising activities. The anticipated increase in sales volume by the Australian Milling business, arising from the new Sugar marketing programme introduced in FY2017, is expected to be recognised in subsequent quarters.
- As a result, the segment recorded a loss of US\$39.0 million in 1Q18 mainly from weaker Milling results which was mitigated by steady performance from the merchandising business.

Non-Operating Items

US\$ million	1Q18	1Q17 ⁽¹⁾
Profit before tax – reported	309.3	438.6
Foreign exchange (loss)/gain in respect of intercompany loans to subsidiaries	(0.2)	1.3
Net (loss)/gain from investment securities – HFT	(14.8)	57.7
Dividend income from investment securities – AFS	43.3	0.9
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(6.7)	(6.6)
Non-operating items gain (pre-tax impact)	21.6	53.3
Profit before tax - excl non-operating items	287.7	385.3
Net profit – reported	203.3	342.0
Non-operating items gain (post-tax impact)	19.8	49.0
Core net profit	183.5	293.0

⁽¹⁾ Based on restated numbers upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence

Cash Flow

US\$ million	1Q18	1Q17 ⁽¹⁾	FY17 ⁽¹⁾
Operating cash flow before working capital changes	839	473	2,596
Net cash flow from/(used in) operating activities	1,831	(22)	386
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Increase in other deposits and financial products with financial institutions	(2,149)	(43)	(2,848)
Dividends	-	-	(320)
Others	148	16	101
Net cash flow	482	771	368
Free cash flow	1,443	(72)	(156)
Turnover days			
- Inventories	70	70	67
- Trade Receivables	33	35	33
- Trade Payables	10	13	12

⁽¹⁾ Based on restated numbers 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.

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 12.2% to US\$7.2 billion as at 31 March 2018, in line with the lower inventory stockholding in China, which resulted from the post Chinese Spring Festival seasonal impact. Average turnover days remained comparable at 70 days in 1Q18 (1Q17: 70 days).
- Trade receivables decreased by US\$143.5 million to US\$4.0 billion in 1Q2018, with average turnover days improving to 33 days.
- Trade payables increased by US\$108.5 million to US\$1.2 billion in 1Q18 mainly due to the timing of purchases. Average turnover days was at 10 days in 1Q18.

Funding and Liquidity

US\$ million	As at Mar 31, 2018		Balance
	Available	Utilised	
Credit facilities :			
Committed	9,100	7,316	1,784
Trade finance	24,287	13,942	10,345
Short term	718	129	589
Total credit facilities	34,105	21,387	12,718

- 65% of utilised facilities were trade financing lines as at March 31, 2018.
- 63% of total facilities were utilised as at March 31, 2018.

Key Indicators

	As at Mar 31, 2018	As at Dec 31, 2017 ⁽¹⁾
Return on Average Equity ^{*,#}	6.5%	7.9%
Return on Average Capital Employed ^{*,#}	4.5%	5.1%
Return on Invested Capital ^{*,#}	4.7%	5.3%
in US cents		
EPS (fully diluted)	3.2	18.9
NTA per share	191.3	183.0
NAV per share	260.6	252.4

⁽¹⁾ Based on restated numbers upon adoption of SFRS (I) 9 Financial Instruments and IFRS Convergence

* Mar 18 returns based on LTM performances

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)