

# WILMAR INTERNATIONAL LIMITED

## 1H2023 Results Briefing

August 11, 2023



  
wilmar

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# 1H2023 Financial Performance – Key Takeaways



# Earnings Highlights

	1H2023 (US\$m)	vs 1H2022 △
Revenue	32,538	-10%
EBITDA	1,654	-30%
Profit Before Tax	698	-57%
Net Profit	551	-53%
Core Net Profit	577	-50%
Earnings per share in US cents (fully diluted)	8.8	-52%
Dividends per share in Singapore cents	6.0	0%

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

	1H2023	1H2022	Δ
Food Products	82.7	521.5	-84%
Feed and Industrial Products	399.0	503.0	-21%
Plantation and Sugar Milling	62.9	435.8	-86%
Others	(30.2)	2.8	<i>n.m.</i>
Joint Ventures & Associates	198.9	153.1	30%
Unallocated expenses <sup>#</sup>	(15.6)	(4.8)	- >100%
<b>Profit Before Tax</b>	<b>697.7</b>	<b>1,611.4</b>	<b>-57%</b>

<sup>#</sup> 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)

	2Q2023	2Q2022	Δ	1H2023	1H2022	Δ
<b>Food Products</b>	<b>7,394</b>	<b>6,920</b>	<b>7%</b>	<b>14,579</b>	<b>13,825</b>	<b>5%</b>
Consumer Products	1,640	1,941	-16%	3,931	4,271	-8%
Medium Pack and Bulk	5,754	4,979	16%	10,648	9,554	11%
<b>Feed and Industrial Products</b>	<b>14,238</b>	<b>12,900</b>	<b>10%</b>	<b>27,921</b>	<b>24,774</b>	<b>13%</b>
Tropical Oils	5,499	4,890	12%	11,404	9,948	15%
Oilseeds and Grains	6,172	5,519	12%	11,211	9,617	17%
Sugar	2,567	2,491	3%	5,306	5,209	2%
<b>Plantation and Sugar Milling<sup>#</sup></b>						
Sugar Milling	428	532	-20%	879	911	-4%
<b>Total</b>	<b>22,060</b>	<b>20,352</b>	<b>8%</b>	<b>43,379</b>	<b>39,510</b>	<b>10%</b>

<sup>#</sup> Excludes oil palm plantation and fertiliser volume

# Cash Flow Highlights

US\$ million	1H2023	1H2022	FY2022
Operating cash flow before working capital changes	1,139	1,518	3,951
Add/(less): Changes in working capital, interest (paid)/received and income taxes paid	2,052	(1,788)	(1,903)
Acquisitions of subsidiaries, joint ventures and associates	(142)	(103)	(141)
Capital expenditure	(1,161)	(1,256)	(2,483)
Net (decrease)/increase from bank borrowings*	(460)	2,212	1,786
Share buyback	-	(99)	(200)
Decrease/(increase) in other deposits and financial products with financial institutions	265	970	(11)
Dividends	(543)	(515)	(803)
Others	70	(106)	63
<b>Net cash flow</b>	<b>1,220</b>	<b>833</b>	<b>259</b>

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.



# Gearing

US\$ million	As at Jun 30, 2023	As at Dec 31, 2022
<b>Debt/Equity (x)</b>	<b>0.89</b>	<b>0.94</b>
- Net debt *	17,300	18,747
- Shareholders' funds	19,431	19,986
<b>Adjusted debt/Equity (x)</b>	<b>0.40</b>	<b>0.30</b>
- Liquid working capital **	9,448	12,662
- Adjusted net debt	7,852	6,085
- EBITDA ***	4,038	4,734
<b>Net debt/EBITDA (x)</b>	<b>4.28</b>	<b>3.96</b>
<b>Adjusted net debt/EBITDA (x)</b>	<b>1.94</b>	<b>1.29</b>

\* 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 Jun 2023 is based on LTM performance.

- As at Jun 30, 2023, net debt to equity ratio decreased to 0.89x and adjusted debt to equity ratio increased to 0.40x.

# Business Outlook

- Results for 1H2023 were significantly lower than 1H2022 as most of our markets, with the exception of India, experienced a slowdown in the second quarter of 2023. Our results were further impacted by lower palm oil and fertiliser prices, as well as lower processing margins for our mid and downstream operations. These were partially offset by strong performance from Sugar and Shipping divisions.
- The Group has made good progress in our new businesses like condiments, Food Park and Central Kitchen projects which we believe will become significant contributors to the Group's operations in future. Barring unforeseen circumstances, we believe the second half of 2023 will be better than 1H2023.

# Appendix



## Business Segment results: Food Products (Consumer Products, Medium Pack and Bulk)

	1H2023	1H2022	Δ
Revenue (US\$ million)	14,168.2	15,915.5	-11%
➤ <i>Consumer Products</i>	5,769.7	6,698.4	-14%
➤ <i>Medium Pack and Bulk</i>	8,398.5	9,217.1	-9%
Sales volume ('000 MT)	14,579	13,825	5%
➤ <i>Consumer Products</i>	3,931	4,271	-8%
➤ <i>Medium Pack and Bulk</i>	10,648	9,554	11%
Profit before tax (US\$ million)	82.7	521.5	-84%

- Overall sales volume for the segment grew by 5% to 14.6 million MT for the period, with stronger sales volume recorded for medium pack and bulk products. As China lifted all its lockdown restrictions since December 2022, demand from HORECA customers increased in 1H2023, driving up sales volume for medium pack products. Consequently, sales of consumer products slowed down as more people resumed dining out and also due to weaker consumer demand from a slowdown in economy. The segment also saw robust volume growth in its rice and flour products during the current period, in line with the Group's capacity expansion plans for these products. Nevertheless, as commodity prices declined, overall revenue for the segment decreased by 11% to US\$14.17 billion.
- Profit for the segment was at US\$82.7 million in 1H2023 mainly due to unfavourable sales mix, lower sales volume from our consumer products and weaker margins as a result of high feedstock costs for the flour business. This was further dragged down by the absence of a gain on dilution of interest in Adani Wilmar Limited (US\$175.6 million) which had been recognised in the prior period.

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

	1H2023	1H2022	Δ
Revenue (US\$ million)	19,409.5	21,660.7	-10%
➤ Tropical Oils	11,015.3	14,057.3	-22%
➤ Oilseeds and Grains	5,403.9	4,921.1	10%
➤ Sugar	2,990.3	2,682.3	11%
Sales volume ('000 MT)	27,921	24,774	13%
➤ Tropical Oils	11,404	9,948	15%
➤ Oilseeds and Grains	11,211	9,617	17%
➤ Sugar	5,306	5,209	2%
Profit before tax (US\$ million)	399.0	503.0	-21%

- Higher volume of sales across all its main businesses led the segment to report an improvement in overall sales volume by 13% to 27.9 million MT in 1H2023. Sales volume for tropical oils normalised in 1H2023, bringing tropical oils sales volume to 11.4 million MT during the period. Oilseeds and grains business also reported an increase in sales volume of 17% to 11.2 million MT in 1H2023, supported by the resumption of Canada canola seeds imports into China, which consequently drove up crushing and sales activities during the period. Further, the segment reported marginally higher volume of sugar sales in 1H2023. However, despite the strong volume growth, overall revenue for the segment was lower as commodity prices were weaker in 1H2023.
- For 1H2023, the segment reported profit before tax of US\$399.0 million. The decrease in segmental profit was mainly due to much lower margins for the mid and downstream tropical oils operations. The segment results were further dragged down by weak crush margin arising from lower demand from the poultry and hog industries and elevated soybean prices during the second quarter. These were partially offset by good contributions from both Sugar merchandising and Shipping operations.

## Business Segment results: Plantation and Sugar Milling

	1H2023	1H2022	Δ
Revenue (US\$ million)	1,889.9	2,177.7	-13%
➤ Oil Palm Plantation	1,421.3	1,728.9	-18%
➤ Sugar Milling	468.6	448.8	4%
Sales volume ('000 MT)#	879	911	-4%
➤ Sugar Milling			
Profit before tax (US\$ million)	62.9	435.8	-86%

# Excludes oil palm plantation and fertiliser volume

- Profit for the segment was US\$62.9 million for the period, with weaker performance across palm plantation and sugar milling businesses as well as losses in our fertiliser operations. Profit for palm plantation business was much lower due to lower palm oil prices. In addition, fresh fruit bunches production decreased by 2% to 2,079,749 MT in 1H2023, mainly impacted by weaker production in Indonesia resulting from poorer weather conditions and crop profile. While sugar prices remained higher in 1H2023 compared to 1H2022, performance for sugar milling business during the period was partially impacted by weaker volume of sugar sales. Fertiliser division reported losses due to a sharp drop in fertiliser prices during the period.
- Consequently, revenue for the oil palm plantation business decreased by 18% to US\$1.42 billion in 1H2023. However, revenue for sugar milling business was higher at US\$468.6 million on the back of firm sugar prices.

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

	1H2023	1H2022	Δ	FY2022
Planted area (ha)	229,697	231,423	-1%	231,697
Mature area harvested (ha)	210,100	207,683	1%	211,136
FFB production (MT)	2,079,749	2,132,339	-2%	4,434,011
FFB Yield (MT/ha)	9.9	10.3	-4%	21.0
<b>Mill Production</b>				
➤ Crude Palm Oil (MT)	810,726	868,620	-7%	1,869,260
➤ Palm Kernel (MT)	186,895	207,761	-10%	443,816
<b>Extraction Rate</b>				
➤ Crude Palm Oil	19.7%	19.5%	1%	19.5%
➤ Palm Kernel	4.4%	4.6%	-4%	4.6%
<b>New Planting (ha)</b>	24	0	<i>n.m.</i>	0

# Plantation Age Profile

in hectares	Average Age of Plantation					Total
	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	
<b>30 Jun 2023</b>						
Indonesia	7,985	13,410	31,761	69,794	27,988	150,938
Malaysia	7,498	15,140	17,716	5,817	12,257	58,428
Africa	0	6,559	12,014	1,033	725	20,331
<b>Total planted area</b>	<b>15,483</b>	<b>35,109</b>	<b>61,491</b>	<b>76,644</b>	<b>40,970</b>	<b>229,697</b>
<i>% of total planted area</i>	<i>6.7%</i>	<i>15.3%</i>	<i>26.8%</i>	<i>33.4%</i>	<i>17.8%</i>	<i>100.0%</i>
Included YTD new plantings of :	24					
Plasma/outgrower Programme	3,684	3,885	1,469	7,811	19,761	36,610
<b>31 Dec 2022</b>						
Indonesia	10,691	14,030	38,832	65,001	22,967	151,521
Malaysia	7,066	15,140	17,723	5,818	14,046	59,793
Africa	211	7,517	10,897	1,033	725	20,383
<b>Total planted area</b>	<b>17,968</b>	<b>36,687</b>	<b>67,452</b>	<b>71,852</b>	<b>37,738</b>	<b>231,697</b>
<i>% of total planted area</i>	<i>7.8%</i>	<i>15.8%</i>	<i>29.1%</i>	<i>31.0%</i>	<i>16.3%</i>	<i>100.0%</i>
Included YTD new plantings of :	0					
Plasma/outgrower Programme	6,830	602	2,564	7,126	19,268	36,390

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



## Non-Operating Items

US\$ million	1H2023	1H2022	FY2022
Foreign exchange loss in respect of intercompany loans to subsidiaries	(12.4)	(5.0)	(16.1)
Net fair value loss on investment securities at fair value through profit or loss	(17.3)	(2.5)	(15.9)
Gain on disposal of investment securities at fair value through profit or loss	2.1	0.7	1.2
Investment income from investment securities	14.6	23.5	39.2
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(16.0)	(4.1)	(15.2)
Increase in fair value of investment properties	-	-	0.9
<b>Total non-operating items</b>	(29.0)	12.6	(5.9)
Net loss arising from changes in fair value of biological assets	-	-	(14.2)
<b>Total</b>	(29.0)	12.6	(20.1)
<b>Net profit</b>	<b>550.9</b>	<b>1,165.0</b>	<b>2,402.5</b>
<b>Core net profit</b>	<b>577.2</b>	<b>1,155.4</b>	<b>2,419.7</b>

# Cash Flow

US\$ million	1H2023	1H2022	FY2022
Operating cash flow before working capital changes	1,139	1,518	3,951
Add/(less): Changes in working capital, interest (paid)/received and income taxes paid	2,052	(1,788)	(1,903)
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Capital expenditure	(1,161)	(1,256)	(2,483)
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Share buyback	-	(99)	(200)
Decrease/(increase) in other deposits and financial products with financial institutions	265	970	(11)
Dividends	(543)	(515)	(803)
Others	70	(106)	63
<b>Net cash flow</b>	<b>1,220</b>	<b>833</b>	<b>259</b>
Turnover days			
- Inventories	71	70	69
- Trade Receivables	30	32	30
- Trade Payables	13	13	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.

## Cash Flow – Cont.

- Inventories decreased by 21% to US\$10.50 billion as at 30 June 2023 largely due to the post-Chinese Spring Festival seasonal impact, leading to lower inventory stockholding in China compared to December 2022. Average turnover days increased marginally to 71 days for the period (1H2022: 70 days).
- Trade receivables decreased by 17% to US\$5.45 billion as of 30 June 2023, in line with the lower sales revenue during the period. Average turnover days improved to 30 days (1H2022: 32 days).
- Trade payables decreased by US\$299.0 million to US\$2.05 billion in 1H2023 mainly due to timing of purchases. Average turnover days remained comparable at 13 days for the period (1H2022: 13 days).

# Funding and Liquidity

US\$ million	As at Jun 30, 2023		
	Available	Utilised	Balance
Credit facilities :			
Committed	10,967	8,930	2,037
Trade finance	44,385	21,743	22,642
Short term	1,445	457	988
<b>Total credit facilities</b>	<b>56,797</b>	<b>31,130</b>	<b>25,667</b>
<b>Available facilities</b>			<b>25,667</b>
<b>Available cash not pledged</b>			<b>4,067</b>
<b>Total liquidity</b>			<b>29,734</b>

- 70% of utilised facilities were trade financing lines as at June 30, 2023.
- 55% of total facilities were utilised as at June 30, 2023.

## Key Indicators

	As at Jun 30, 2023	As at Dec 31, 2022
Return on Average Equity <sup>#,*</sup>	9.1%	12.0%
Return on Invested Capital <sup>#,*</sup>	5.7%	6.9%
in US cents		
EPS (fully diluted)	8.8	38.3
NTA per share	225.1	233.6
NAV per share	311.3	320.2
in Singapore cents		
Dividends (interim & final)	6.0 <sup>**</sup>	17.0

*# 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 2023 returns based on LTM performance*

*\*\* Only interim dividends*