

WILMAR INTERNATIONAL LIMITED

4Q2019 Results Briefing

February 20, 2020




wilmar

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4Q2019 Financial Performance – Key Takeaways



Earnings Highlights

	4Q19 (US\$m)	vs 4Q18 ⁽¹⁾ △	FY19 (US\$m)	vs FY18 ⁽¹⁾ △
Revenue	11,250	1%	42,641	-4%
EBITDA	929	20%	3,024	3%
Net profit	438	>100%	1,293	15%
Net Profit - excluding discontinued operations	438	>100%	1,268	10%
Core net profit	410	23%	1,256	-3%
Earnings per share in US cents (fully diluted)	6.9	>100%	20.4	15%
Earnings per share in US cents (fully diluted) - excluding discontinued operations	6.9	>100%	20.0	10%
Dividends per share in Singapore cents	9.5	36%	12.5	19%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 15 Revenue from Contracts with Customers and in accordance with SFRS(I) 3, the Group has restated prior year's figures subsequent to the finalisation of purchase price allocation exercise for the acquisition of Shree Renuka Sugars Limited ("SRSL") and its subsidiaries.

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

	4Q19	4Q18 ⁽¹⁾	Δ	FY19	FY18 ⁽¹⁾	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	287.3	134.1	>100%	841.6	546.1	54%
Oilseeds and Grains (Manufacturing & Consumer Products)	185.4	115.2	61%	636.9	875.0	-27%
Sugar (Milling, Merchandising, Refining & Consumer Products)	(9.7)	(116.7)	92%	2.6	(128.2)	n.m.
Others	53.0	17.5	>100%	74.9	19.9	>100%
Joint Ventures & Associates	85.2	152.8	-44%	153.0	310.3	-51%
Unallocated expenses [#]	(0.9)	(2.4)	63%	(10.5)	(10.9)	3%
Profit Before Tax	600.3	300.5	100%	1,698.5	1,612.2	5%

⁽¹⁾ Prior period/year figures were restated in accordance with SFRS(I) 3 subsequent to the finalisation of purchase price allocation exercise for the acquisition of Shree Renuka Sugars Limited ("SRSL") and its subsidiaries.

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

n.m. – not meaningful

Cash Flow Highlights

US\$ million	FY19	FY18 ⁽¹⁾
Operating cash flow before working capital changes	2,894	1,956
Net cash flow generated from operating activities	3,338	1,501
Less: Acquisitions of subsidiaries, joint ventures and associates	(129)	(417)
Capital expenditure	(1,813)	(1,325)
Net (decrease)/increase from bank borrowings*	(385)	3,051
Increase in other deposits and financial products with financial institutions	(238)	(2,400)
Dividends	(462)	(495)
Others	142	245
Net cash flow	453	160
Free cash flow	2,065	398

⁽¹⁾ Prior year figures were restated in accordance with SFRS(I) 3 subsequent to the finalisation of purchase price allocation exercise for the acquisition of Shree Renuka Sugars Limited ("SRSL") and its subsidiaries.

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, 2019	As at Dec 31, 2018 ⁽¹⁾
Debt/Equity (x)	0.79	0.84
- Net debt *	13,219	13,460
- Shareholders' funds	16,763	16,046
Adjusted debt/Equity (x)	0.37	0.34
- Liquid working capital **,#	7,100	8,034
- Adjusted net debt #	6,119	5,426
- EBITDA	3,024	2,937
Net debt/EBITDA (x)	4.37	4.58
Adjusted net debt/EBITDA (x) #	2.0	1.8

* 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).

Does not include Brazil discontinued operations.

⁽¹⁾ Prior year figures were restated in accordance with SFRS(I) 3 subsequent to the finalisation of purchase price allocation exercise for the acquisition of Shree Renuka Sugars Limited ("SRSL") and its subsidiaries.

- Net debt to equity ratio improved to 0.79x as at Dec 31, 2019.
- Adjusted debt to equity ratio increased slightly to 0.37x as at Dec 31, 2019.

Business Outlook

- We achieved a strong set of results in FY2019 amidst the challenging global environment. Tropical Oils' performance for the coming year should benefit from higher palm oil prices, especially in our oil palm plantations. The current 2019 novel coronavirus ("COVID-19") outbreak has brought volatility to the commodity markets and further challenges to our operating environment, especially in China. At the moment, we do not expect major impact to our businesses as we are mainly operating in the food products industry. Nevertheless, a prolonged outbreak of COVID-19 may have a greater impact on our operations.
- Our China listing is undergoing the approval process and progressing within the standard time frame, with no significant issues encountered to date. We expect the listing to be approved this year even though it may be slightly delayed by the COVID-19 outbreak. We would like to emphasize that as work on the proposed listing is still in progress, shareholders are advised to exercise caution in trading their shares in the Company. 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)

	4Q19	4Q18 ⁽¹⁾	Δ	FY19	FY18	Δ
Revenue (US\$ million)	4,108.3	4,178.4	-2%	15,541.5	17,058.7	-9%
➤ <i>Plantation</i>	9.8	10.3	-5%	42.3	51.4	-18%
➤ <i>Manufacturing & Merchandising</i>	4,098.5	4,168.1	-2%	15,499.2	17,007.3	-9%
Sales volume [#] ('000 MT)	6,583	6,642	-1%	25,581	24,275	5%
➤ <i>Manufacturing & Merchandising</i>						
Profit before tax (US\$ million)	287.3	134.1	>100%	841.6	546.1	54%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 15 Revenue from Contracts with Customers.

[#] Excludes plantation volume.

- Boosted by good performance from merchandising activities and downstream processing margins, profit before tax doubled to US\$287.3 million in 4Q19. This was further aided by higher contributions from the plantation business, in line with the higher palm oil prices during the quarter which also led to higher gains arising from changes in fair value of biological assets. Overall profit increased by 54% in FY19.
- Production yield decreased by 6% to 4.9 MT per hectare in 4Q19 and 7% to 20.1 MT per hectare in FY19, impacted by the Group's younger plantation age profile due to its recent replanting activities and unfavourable weather conditions. This resulted in lower fresh fruit bunches production of 960,428 MT for 4Q19 and 3,914,613 MT for FY19
- Sales volume for manufacturing and merchandising decreased marginally in 4Q19 and increased by 5% in FY19, supported by strong sales volume in 9M19. However, weaker commodity prices led overall revenue to decrease by 2% in 4Q19 and 9% in FY19.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	4Q19	4Q18	Δ	FY19	FY18	Δ
Planted area (ha)	232,940	230,409	1%	232,940	230,409	1%
Mature area harvested (ha)	194,713	191,493	2%	194,713	191,493	2%
FFB production (MT)	960,428	1,005,625	-4%	3,914,613	4,189,728	-7%
FFB Yield (MT/ha)	4.9	5.3	-6%	20.1	21.6	-7%
Mill Production						
➤ Crude Palm Oil (MT)	451,926	533,059	-15%	1,903,413	1,969,175	-3%
➤ Palm Kernel (MT)	106,961	129,403	-17%	467,064	483,457	-3%
Extraction Rate						
➤ Crude Palm Oil	19.0%	19.8%	-4%	19.5%	19.8%	-2%
➤ Palm Kernel	4.5%	4.8%	-6%	4.8%	4.9%	-2%
New Planting (ha)	26	143	-82%	1,859	3,562	-48%

Plantation Age Profile

in hectares	Average Age of Plantation					
31 Dec 2019	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
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
31 Dec 2018						
Indonesia	14,548	12,026	89,425	11,883	25,047	152,929
Malaysia	15,033	9,421	9,737	8,488	15,485	58,164
Africa	5,885	9,280	1,913	1,704	534	19,316
Total planted area	35,466	30,727	101,075	22,075	41,066	230,409
<i>% of total planted area</i>	<i>15.4%</i>	<i>13.3%</i>	<i>43.9%</i>	<i>9.6%</i>	<i>17.8%</i>	<i>100.0%</i>
Included YTD new plantings of :	3,562					
Plasma/outgrower Programme	48	142	9,425	3,130	23,054	35,799

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

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

	4Q19	4Q18 ⁽¹⁾	Δ	FY19	FY18	Δ
Revenue (US\$ million)	5,550.6	5,545.9	0%	21,515.0	22,477.4	-4%
➤ Manufacturing	3,747.2	3,911.4	-4%	14,445.9	15,689.9	-8%
➤ Consumer Products	1,803.4	1,634.5	10%	7,069.1	6,787.5	4%
Sales volume ('000 MT)	9,355	9,436	1%	36,787	37,179	-1%
➤ Manufacturing	7,758	7,889	-2%	30,388	31,183	-3%
➤ Consumer Products	1,597	1,547	3%	6,399	5,996	7%
Profit before tax (US\$ million)	185.4	115.2	61%	636.9	875.0	-27%

⁽¹⁾ Prior period figures were restated upon adoption of SFRS (I) 15 Revenue from Contracts with Customers.

- With the improvement in crush margins and seasonal demand for consumer products in 4Q19, segment profits increased by 61% to US\$185.4 million in 4Q19. This was further aided by strong performance from the rice and flour businesses. For FY19, profit decreased by 27% to US\$636.9 million as overall crush volume and margins for the year were impacted by the African swine fever outbreak in the first half of 2019.
- Consumer products sales improved by 3% in 4Q19 and by 7% for FY19 as a result of the earlier Chinese Spring Festival in January 2020.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	4Q19	4Q18 ⁽¹⁾	Δ	FY19	FY18 ⁽¹⁾	Δ
Revenue (US\$ million)	1,368.6	1,211.4	13%	4,706.0	4,014.5	17%
➤ <i>Milling</i>	218.4	202.7	8%	790.9	536.1	48%
➤ <i>Merchandising, Refining & Consumer Products</i>	1,150.2	1,008.7	14%	3,915.1	3,478.4	13%
Sales volume ('000 MT)	4,122	3,715	11%	13,636	11,742	16%
➤ <i>Milling</i>	489	614	-20%	1,975	1,510	31%
➤ <i>Merchandising, Refining & Consumer Products</i>	3,633	3,101	17%	11,661	10,232	14%
(Loss)/Profit before tax (US\$ million)	(9.7)	(116.7)	92%	2.6	(128.2)	<i>n.m.</i>
Operating Statistics*:						
➤ <i>Commercial Cane Sugar (%)</i>	14.5	13.3	9%	14.5	14.7	-1%
➤ <i>Cane Crushed (m MT)</i>	4.7	4.2	12%	14.8	15.4	-4%

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* For Wilmar Sugar Australia only

n.m. – not meaningful

- Losses before tax for the quarter was lower at US\$9.7 million mainly due to the absence of a US\$138.6 million impairment loss recognised in 4Q18 relating to the milling operations in Australia. Together with the profits from Sugar refining business in 9M19, the segment reported an overall profit of US\$2.6 million for FY19.
- Overall sales volume for the segment increased by 11% in 4Q19 and by 16% in FY19. Correspondingly, revenue increased by 13% to US\$1.4 billion in 4Q19 and by 17% to US\$4.7 billion in FY19.

Non-Operating Items and Discontinued Operations

US\$ million	4Q19	4Q18	FY19	FY18
Foreign exchange gain/(loss) in respect of intercompany loans to subsidiaries	0.5	(1.3)	1.2	(8.8)
Net fair value gain/(loss) on investment securities at fair value through profit or loss	9.4	(18.8)	(6.6)	(79.0)
(Loss)/gain on disposal of investment securities at fair value through profit or loss	(0.1)	-	2.4	7.2
Investment income from investment securities	9.9	7.5	45.4	84.4
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(5.3)	(9.0)	(30.2)	(31.8)
Net gain from fair value adjustment of investment properties	2.8	-	2.8	-
Impairment loss on goodwill	-	(108.2)	-	(108.2)
Total non-operating items (excluding discontinued operations and impairment on investment in an associate)	17.2	(129.8)	15.0	(136.2)
Impairment loss on investment in an associate	-	-	(12.0)	-
Net gain/(loss) arising from changes in fair value of biological assets	18.1	(16.3)	18.1	(16.3)
Gain/(loss) from discontinued operations	-	3.8	43.5	(43.4)
Total	35.3	(142.3)	64.6	(195.9)
Net profit (including discontinued operations)	438.4	199.4	1,293.4	1,125.0
Core net profit	410.0	333.2	1,256.4	1,301.7

Cash Flow

US\$ million	FY19	FY18 ⁽¹⁾
Operating cash flow before working capital changes	2,894	1,956
Net cash flow generated from operating activities	3,338	1,501
Less: Acquisitions of subsidiaries, joint ventures and associates	(129)	(417)
Capital expenditure	(1,813)	(1,325)
Net (decrease)/increase from bank borrowings*	(385)	3,051
Increase in other deposits and financial products with financial institutions	(238)	(2,400)
Dividends	(462)	(495)
Others	142	245
Net cash flow	453	160
Free cash flow	2,065	398
Turnover days		
- Inventories	71	73
- Trade Receivables	34	34
- Trade Payables	14	13

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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 increased marginally by 1% to US\$8.0 billion as at 31 December 2019 as a result of higher inventory stockholding in China, in view of the earlier Chinese Spring Festival in January 2020. Average turnover was lower at 71 days in FY19.
- Trade receivables decreased by US\$97.6 million to US\$4.3 billion in FY19. Average turnover days remained comparable at 34 days.
- Trade payables increased by US\$249.0 million to US\$1.7 billion in FY19 mainly due to timing differences. Average turnover days increased to 14 days in FY19.

Funding and Liquidity

US\$ million	As at Dec 31, 2019		Balance
	Available	Utilised	
Credit facilities :			
Committed	9,911	8,313	1,598
Trade finance	32,830	15,047	17,783
Short term	997	348	649
Total credit facilities	43,738	23,708	20,030

- 63% of utilised facilities were trade financing lines as at December 31, 2019.
- 54% of total facilities were utilised as at December 31, 2019.

Key Indicators

	As at Dec 31, 2019	As at Dec 31, 2018 ⁽¹⁾
Return on Average Equity [#]	7.9%	7.0%
Return on Invested Capital [#]	4.9%	4.8%
in US cents		
EPS (fully diluted)	20.4	17.8
EPS (fully diluted) - excluding discontinued operations	20.0	18.2
NTA per share	179.4	182.8
NAV per share	264.4	253.6
in Singapore cents		
Dividends (interim & final)	12.5	10.5

[#] 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)

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