

WILMAR INTERNATIONAL LIMITED

4Q2018 Results Briefing

February 21, 2019




wilmar

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Agenda

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4Q2018 Financial Performance – Key Takeaways



Earnings Highlights

	4Q18 (US\$m)	vs 4Q17 ⁽¹⁾ △	FY18 (US\$m)	vs FY17 ⁽¹⁾ △
Revenue	11,100	-3%	44,498	2%
EBITDA	774	-8%	2,941	12%
Net profit	201	-53%	1,128	-6%
Net Profit - excluding discontinued operations	199	-53%	1,153	-4%
Core net profit	335	-10%	1,305	27%
Earnings per share in US cents (fully diluted)	3.2	-52%	17.8	-6%
Earnings per share In US cents (fully diluted) - excluding discontinued operations	3.1	-54%	18.2	-4%
Dividends per share In Singapore cents	7.0	0%	10.5	5%

⁽¹⁾ Prior period/year figures were restated upon adoption of SFRS (I) 9 Financial Instruments, SFRS (I) 15 Revenue from Contracts with Customers and IFRS Convergence.

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

	4Q18	4Q17 ⁽¹⁾	Δ	FY18	FY17 ⁽¹⁾	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	134.1	103.3	30%	546.1	397.5	37%
Oilseeds and Grains (Manufacturing & Consumer Products)	115.2	206.4	-44%	875.0	727.2	20%
Sugar* (Milling, Merchandising, Refining & Consumer Products)	(114.1)	41.4	n.m.	(123.0)	(24.6)	(>100%)
Others	17.5	87.8	-80%	19.9	243.3	-92%
Joint Ventures & Associates	152.8	111.8	37%	310.3	228.3	36%
Unallocated expenses [#]	(2.4)	(3.4)	29%	(10.9)	(9.2)	-19%
Profit Before Tax	303.1	547.3	-45%	1,617.4	1,562.5	4%

⁽¹⁾ Prior period/year figures were restated upon adoption of SFRS (I) 9 Financial Instruments, SFRS (I) 15 Revenue from Contracts with Customers and IFRS Convergence.

* Include impairment of assets & goodwill of US\$138.6 million (FY17: US\$30.6 million)

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

n.m. – not meaningful

Cash Flow Highlights

US\$ million	FY18	FY17⁽¹⁾
Cash flows generated from operations	2,106	785
Net cash flow generated from operating activities	1,501	303
Less: Acquisitions of subsidiaries, joint ventures and associates	(417)	(132)
Capital expenditure	(1,325)	(938)
Net increase from bank borrowings*	3,051	4,119
Increase in other deposits and financial products with financial institutions	(2,400)	(2,848)
Dividends	(495)	(320)
Others	245	184
Net cash flow	160	368
Free cash flow	398	(239)

⁽¹⁾ Prior year 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 Dec 31, 2018	As at Dec 31, 2017 ⁽¹⁾
Debt/Equity (x)	0.84	0.79
- Net debt [*]	13,460	12,596
- Shareholders' funds	16,049	15,964
Adjusted debt/Equity (x)	0.41	0.26
- Liquid working capital ^{**, #}	6,857	8,375
- Adjusted net debt [#]	6,603	4,221
- EBITDA	2,941	2,615
Net debt/EBITDA (x)	4.58	4.82
Adjusted net debt/EBITDA (x) [#]	2.2	1.6

⁽¹⁾ Prior year 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).

[#] Does not include Brazil discontinued operations.

- Net debt to equity ratio increased to 0.84x as at Dec 31, 2018, partly due to the newly acquired Indian subsidiary, Shree Renuka Sugars Limited (SRSL). Excluding SRSL, net debt to equity ratio was 0.82x.
- Adjusted debt to equity ratio increased to 0.41x as at Dec 31, 2018, from 0.26x as at Dec 31, 2017.

Business Outlook

- The Group performed well in 2018 even though we were affected by low palm oil and sugar prices in our upstream operations and volatile soybeans market created by the US/China trade tensions. The Group's success in its strategy to develop more stable downstream processing and branded consumer products enabled us to achieve growth and maintain profit in this challenging operating environment.
- With the recent recovery of crude palm oil prices and satisfactory margins in downstream processing, Tropical Oils should continue to do well in 2019.
- Crush margins for 1Q2019 will be adversely impacted by the sharp decline in meal demand from the outbreak of African swine fever in China and the sharp drop in Brazilian soybean basis, but this is expected to improve in 2Q2019.
- We also expect our other businesses to perform favourably in the coming year. Looking ahead, we are reasonably optimistic that performance for FY2019 will be satisfactory.
- The Group has recently converted its China holding company into a joint-stock company, with a view to a possible separate listing in China. 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)

	4Q18	4Q17 ⁽¹⁾	Δ	FY18	FY17 ⁽¹⁾	Δ
Revenue (US\$ million)	4,124.1	4,649.6	-11%	17,058.7	18,067.2	-6%
➤ <i>Plantation</i>	10.3	16.2	-36%	51.4	59.4	-13%
➤ <i>Manufacturing & Merchandising</i>	4,113.8	4,633.4	-11%	17,007.3	18,007.8	-6%
Sales volume [#] ('000 MT)						
➤ <i>Manufacturing & Merchandising</i>	6,642	6,014	10%	24,275	23,163	5%
Profit before tax (US\$ million)	134.1	103.3	30%	546.1	397.5	37%

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

[#] Excludes plantation volume

- Driven by better performance in the manufacturing and merchandising businesses, profit before tax increased by 37% in FY18. Lower commodity prices benefited our downstream businesses through lower feedstock costs, but was partially offset by weaker contributions from the plantation business.
- Production yield increased by 10% to 21.6 MT per hectare in FY18 as a result of favourable weather conditions.
- Consistent strong demand for biodiesel and downstream products led total sales to increase by 5% for the year. Lower commodity prices resulted in an overall decrease in revenue in FY18.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	4Q18	4Q17	Δ	FY18	FY17	Δ
Planted area (ha)	230,409	239,935	-4%	230,409	239,935	-4%
Mature area harvested (ha)	191,493	203,410	-6%	191,493	203,410	-6%
FFB production (MT)	1,005,625	920,534	9%	4,189,728	3,922,904	7%
FFB Yield (MT/ha)	5.3	4.7	11%	21.6	19.7	10%
Mill Production						
➤ Crude Palm Oil (MT)	533,767	453,633	18%	1,966,505	1,742,618	13%
➤ Palm Kernel (MT)	134,171	110,807	21%	482,977	421,574	15%
Extraction Rate						
➤ Crude Palm Oil	20.1%	20.0%	0%	19.9%	20.0%	0%
➤ Palm Kernel	5.0%	4.9%	3%	4.9%	4.8%	1%

Plantation Age Profile

in hectares	Average Age of Plantation					
31 Dec 2018	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
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
<i>% of planted area</i>	<i>0.1%</i>	<i>0.4%</i>	<i>26.3%</i>	<i>8.8%</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)

	4Q18	4Q17 ⁽¹⁾	Δ	FY18	FY17 ⁽¹⁾	Δ
Revenue (US\$ million)	5,509.8	5,459.5	1%	22,477.4	19,806.4	13%
➤ Manufacturing	3,911.4	3,894.4	0%	15,689.9	13,544.5	16%
➤ Consumer Products	1,598.4	1,565.1	2%	6,787.5	6,261.9	8%
Sales volume ('000 MT)	9,436	9,196	3%	37,179	33,295	12%
➤ Manufacturing	7,889	7,834	1%	31,183	27,858	12%
➤ Consumer Products	1,547	1,362	14%	5,996	5,437	10%
Profit before tax (US\$ million)	115.2	206.4	-44%	875.0	727.2	20%

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

- Profit before tax increased by 20% in FY18 on the back of stronger performance from Consumer Products, as well as good crush margins and volume during the year.
- Consumer products sales improved by 10% during the year. Together with stronger sales from the manufacturing businesses in the earlier part of the year, overall sales volume for the segment increased by 12% in FY18.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	4Q18	4Q17	Δ	FY18	FY17	Δ
Revenue (US\$ million)	1,211.4	1,079.0	12%	4,014.5	4,782.3	-16%
➤ Milling	202.7	69.6	191%	536.1	236.7	126%
➤ Merchandising, Refining & Consumer Products	1,008.7	1,009.4	0%	3,478.4	4,545.6	-23%
Sales volume ('000 MT)	3,715	2,869	29%	11,742	10,974	7%
➤ Milling ⁽¹⁾	614	313	96%	1,510	876	72%
➤ Merchandising, Refining & Consumer Products	3,101	2,556	21%	10,232	10,098	1%
(Loss)/Profit before tax (US\$ million)	(114.1)	41.4	<i>n.m.</i>	(123.0)	(24.6)	(>100%)
Profit before tax (US\$ million)	24.5	72.0	-66%	15.6	6.0	>100%
- excluding impairment						
Operating Statistics for Australian Sugar Milling:						
➤ Commercial Cane Sugar (%)	13.3	13.3	0%	14.7	13.6	8%
➤ Cane Crushed (m MT)	4.2	5.0	-16%	15.4	15.8	-3%

⁽¹⁾ Sugar Milling volume has been restated to 896,000MT for 9M2018, and to 563,000MT and 876,000MT for 9M2017 and FY2017 respectively upon adoption of SFRS(I) 15 Revenue from Contracts with Customers
n.m. – not meaningful

- The segment recorded a loss before tax of US\$123.0 million for the year mainly due to an impairment loss of US\$138.6 million recognised in 4Q18 relating to the milling operations in Australia. Despite consistent positive cash flow generated from the Australia milling business, the decline in sugar prices in the past year led the Group to take a prudent stance and impair the goodwill and property, plant and equipment of the milling operations during the quarter.
- The segment results were further impacted by losses from SRSL, whose crushing activities only commenced in late October. These losses were partially mitigated by stronger performance in the merchandising business during the year.

Non-Operating Items and Discontinued Operations

US\$ million	4Q18	4Q17 ⁽¹⁾	FY18	FY17 ⁽¹⁾
Foreign exchange (loss)/gain in respect of intercompany loans to subsidiaries	(1.3)	0.4	(8.8)	0.7
Net (loss)/gain from investment securities – HFT	(16.1)	48.0	(53.6)	158.5
Dividend income from investment securities – AFS	4.8	23.3	66.2	59.3
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(9.0)	(6.2)	(31.8)	(24.5)
Impairment losses on goodwill	(108.2)	-	(108.2)	-
Total non-operating items (excluding biological assets)	(129.8)	65.5	(136.2)	194.0
Net loss arising from changes in fair value of biological assets	(16.3)	(10.0)	(16.3)	(10.0)
Total non-operating items (excluding discontinued operations)	(146.1)	55.5	(152.5)	184.0
Gain/(loss) from discontinued operations	3.8	-	(43.4)	-
Total non-operating items (including discontinued operations)	(142.3)	55.5	(195.9)	184.0
Net profit (including discontinued operations)	200.9	426.7	1,128.0	1,195.7
Core net profit	334.7	373.0	1,304.8	1,023.8

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

Cash Flow

US\$ million	FY18	FY17 ⁽¹⁾
Cash flows generated from operations	2,106	785
Net cash flow from operating activities	1,501	303
Less : Acquisitions of subsidiaries, joint ventures and associates	(417)	(132)
Capital expenditure	(1,325)	(938)
Net increase from bank borrowings*	3,051	4,119
Increase in other deposits and financial products with financial institutions	(2,400)	(2,848)
Dividends	(495)	(320)
Others	245	184
Net cash flow	160	368
Free cash flow	398	(239)
Turnover days		
- Inventories	73	67
- Trade Receivables	34	33
- Trade Payables	13	12

⁽¹⁾ Prior year 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.

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 4% to US\$7.9 billion as at 31 December 2018 due to weaker commodity prices at the end of the current year. Average turnover days was higher at 73 days for FY18 due to timing of purchases.
- Trade receivables increased by US\$248.1 million to US\$4.3 billion in FY18. Average turnover days remained comparable at 34 days in FY18.
- Trade payables increased by US\$346.9 million to US\$1.4 billion in FY18 mainly as a result of the acquisition of SRSL. Excluding the impact of this acquisition, average turnover days remained comparable at 11 days in FY18.

Funding and Liquidity

US\$ million	As at Dec 31, 2018		
	Available	Utilised	Balance
Credit facilities :			
Committed	10,184	7,657	2,527
Trade finance	28,788	15,405	13,383
Short term	896	283	613
Total credit facilities	39,868	23,345	16,523

- 66% of utilised facilities were trade financing lines as at December 31, 2018.
- 59% of total facilities were utilised as at December 31, 2018.

Key Indicators

	As at Dec 31, 2018	As at Dec 31, 2017 ⁽¹⁾
Return on Average Equity [#]	7.0%	7.9%
Return on Average Capital Employed [#]	5.0%	5.1%
Return on Invested Capital [#]	4.8%	5.3%
in US cents		
EPS (fully diluted)	17.8	18.9
EPS (fully diluted) - excluding discontinued operations	18.2	18.9
NTA per share	182.6	183.0
NAV per share	253.7	252.4
in Singapore cents		
Dividends (interim & final)	10.5	10.0

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

[#] 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)