

# WILMAR INTERNATIONAL LIMITED

## FY2020 Results Briefing

February 22, 2021



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# Agenda

**1**

FY2020 Financial Performance – Key Takeaways

**2**

Business Outlook

**3**

Appendix

# FY2020 Financial Performance – Key Takeaways



# Earnings Highlights

	2H2020 (US\$m)	vs 2H2019 △	FY2020 (US\$m)	Vs FY2019 △
Revenue	27,869	24%	50,527	19%
EBITDA	2,121	16%	3,609	19%
Net Profit	924	4%	1,534	19%
Net Profit - excluding discontinued operations	924	12%	1,534	21%
Core net profit	851	3%	1,486	18%
Earnings per share in US cents (fully diluted)	14.5	4%	24.1	18%
Earnings per share in US cents (fully diluted) - excluding discontinued operations	14.5	11%	24.1	21%
Dividends per share in Singapore cents	15.5*	63%	19.5*	56%

\* Including special dividend of 6.5 Singapore cents per share

# 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

Logistics & jetty port services and investment activities.

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

	2H2020	2H2019	Δ	FY2020	FY2019	Δ
Food Products	657.4	566.3	16%	1,152.4	974.5	18%
Feed and Industrial Products	425.1	449.3	-5%	795.9	630.3	26%
Plantation and Sugar Milling	187.8	62.2	>100%	104.8	(41.3)	<i>n.m.</i>
Others	100.7	(8.1)	<i>n.m.</i>	59.2	(7.5)	<i>n.m.</i>
Joint Ventures & Associates	118.1	110.2	7%	202.2	153.0	32%
Unallocated expenses <sup>#</sup>	(2.5)	(1.5)	-74%	(3.4)	(10.5)	67%
<b>Profit Before Tax</b>	<b>1,486.6</b>	<b>1,178.4</b>	<b>26%</b>	<b>2,311.1</b>	<b>1,698.5</b>	<b>36%</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

	2H2020	2H2019	Δ	FY2020	FY2019	Δ
<b>Food Products</b>	<b>14,953</b>	<b>12,479</b>	<b>20%</b>	<b>27,217</b>	<b>24,301</b>	<b>12%</b>
Consumer Products	4,697	4,051	16%	9,423	7,724	22%
Medium Pack and Bulk	10,256	8,428	22%	17,794	16,577	7%
<b>Feed and Industrial Products</b>	<b>31,739</b>	<b>28,329</b>	<b>12%</b>	<b>58,084</b>	<b>52,387</b>	<b>11%</b>
Tropical Oils	11,512	12,248	-6%	22,226	23,862	-7%
Oilseeds and Grains	11,889	9,905	20%	22,071	18,284	21%
Sugar	8,338	6,176	35%	13,787	10,241	35%
<b>Plantation and Sugar Milling<sup>#</sup></b>						
Sugar Milling	2,206	2,962	-26%	3,527	3,986	-12%
<b>Total</b>	<b>48,898</b>	<b>43,770</b>	<b>12%</b>	<b>88,828</b>	<b>80,674</b>	<b>10%</b>

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



# Cash Flow Highlights

<b>US\$ million</b>	<b>FY2020</b>	<b>FY2019</b>
Operating cash flow before working capital changes	3,594	2,894
Net cash flow generated from operating activities	553	3,338
Less: Acquisitions of subsidiaries, joint ventures and associates	(317)	(129)
Capital expenditure	(1,976)	(1,813)
Net decrease from bank borrowings*	(2,072)	(385)
Decrease/(increase) in other deposits and financial products with financial institutions	2,822	(238)
Dividends	(619)	(462)
Proceeds from dilution of interest in a subsidiary	2,021	-
Others	123	142
<b>Net cash flow</b>	<b>535</b>	<b>453</b>
<b>Free cash flow</b>	<b>916</b>	<b>2,065</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.

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, 2020	As at Dec 31, 2019
<b>Debt/Equity (x)</b>	<b>0.72</b>	<b>0.79</b>
- Net debt *	13,605	13,219
- Shareholders' funds	18,882	16,763
<b>Adjusted debt/Equity (x)</b>	<b>0.27</b>	<b>0.37</b>
- Liquid working capital **,#	8,567	7,100
- Adjusted net debt #	5,038	6,119
- EBITDA	3,609	3,024
<b>Net debt/EBITDA (x)</b>	<b>3.77</b>	<b>4.37</b>
<b>Adjusted net debt/EBITDA (x) #</b>	<b>1.4</b>	<b>2.0</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 and liabilities directly associated with disposal group classified as held for sale).

# Exclude discontinued operations.

- Net debt to equity ratio improved to 0.72x as at Dec 31, 2020.
- Adjusted debt to equity ratio improved to 0.27x as at Dec 31, 2020.

# Business Outlook

- The Group produced a good set of results for all its core businesses during the year despite the severe impact of COVID-19. The improved performance of the Group once again demonstrated the resilience of the integrated business model that we have developed over the years. We are continuing to build, especially in China, more integrated plants in new locations and develop new high growth and complementary businesses like central kitchen, soy sauce, vinegar and yeast. This will widen our range of food product offerings and help to reduce manufacturing, distribution and marketing costs. We believe our business model will help us achieve long term sustainable growth even though our results might fluctuate from time to time. To demonstrate our belief in our business model and the prospects of our businesses, in FY2020, we bought back about S\$190 million of Wilmar shares, the second highest buyback consideration on the Singapore Exchange during the year. We are also proposing a record dividend of S\$0.13 per share (including interim of S\$0.04 per share paid in August 2020) and a special dividend of S\$0.065 per share for the financial year ended 31 December 2020.
- We believe demand for our food products will continue to be strong, as we have gained a reputation for being a producer of high quality and healthy food products. We also expect the Feed & Industrial Products segment to remain satisfactory on the back of continued strong recovery of hog farming in China and positive manufacturing margins. Oil Palm Plantation and Sugar Milling segment will benefit from higher palm oil and sugar prices.
- Our 89.99%-owned China subsidiary, Yihai Kerry Arawana Holdings Co. Ltd (“YKA”), which was officially listed on the Shenzhen Stock Exchange ChiNext Board on 15 October 2020, was included in the Shenzhen-Hong Kong Stock Connect (“SZHKSC”) with effect from 14 December 2020. With the inclusion of YKA in the SZHKSC, investors can now trade in YKA shares through Hong Kong brokers. YKA will also be added to the MSCI Global Standard Index as of the close of 26 February 2021. Market capitalisation of YKA as at 29 January 2021 was RMB 661.00 billion, equivalent to approximately US\$102.51 billion.

# Appendix



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

	<b>2H2020</b>	<b>2H2019</b>	<b>Δ</b>	<b>FY2020</b>	<b>FY2019</b>	<b>Δ</b>
Revenue (US\$ million)	13,218.8	9,926.1	33%	23,596.7	19,311.2	22%
➤ <i>Consumer Products</i>	5,864.0	4,223.3	39%	11,167.7	8,010.8	39%
➤ <i>Medium Pack and Bulk</i>	7,354.8	5,702.8	29%	12,429.0	11,300.4	10%
Sales volume ('000 MT)	14,953	12,479	20%	27,217	24,301	12%
➤ <i>Consumer Products</i>	4,697	4,051	16%	9,423	7,724	22%
➤ <i>Medium Pack and Bulk</i>	10,256	8,428	22%	17,794	16,577	7%
Profit before tax (US\$ million)	657.4	566.3	16%	1,152.4	974.5	18%

- Increasing brand awareness and consumers' confidence in the quality food staples which the Group produces helped drive the volume growth. The segment saw sales and profit improved across all its businesses in 2H2020, mainly boosted by better margins from its oil, flour and sugar businesses compared to 2H2019. As China recovers from the COVID-19 outbreak in 2H2020, the Group saw a sharp recovery in volume for its medium pack and bulk products compared to the first half of the year as a result of increased demand from the hotels/restaurants/catering ("HORECA") industry.
- For FY2020, consumer products sales volume grew 22% to 9.4 million MT while medium pack and bulk sales increased by 7% to 17.8 million MT. Correspondingly, revenue for the segment increased by 22% to US\$23.60 billion and overall profit improved by 18% to US\$1.15 billion.

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

	2H2020	2H2019	Δ	FY2020	FY2019	Δ
Revenue (US\$ million)	16,015.0	12,923.3	24%	28,932.6	24,177.3	20%
➤ Tropical Oils	8,716.0	7,546.0	16%	16,240.4	14,656.9	11%
➤ Oilseeds and Grains	4,585.2	3,493.5	31%	8,130.7	6,348.0	28%
➤ Sugar	2,713.8	1,883.8	44%	4,561.5	3,172.4	44%
Sales volume ('000 MT)	31,739	28,329	12%	58,084	52,387	11%
➤ Tropical Oils	11,512	12,248	-6%	22,226	23,862	-7%
➤ Oilseeds and Grains	11,889	9,905	20%	22,071	18,284	21%
➤ Sugar	8,338	6,176	35%	13,787	10,241	35%
Profit before tax (US\$ million)	425.1	449.3	-5%	795.9	630.3	26%

- Crushing margins and volume remained decent in 2H2020 as steady demand for hogs in China created sustained demand for animal feeds throughout the period. Both the tropical oils and sugar merchandising businesses also did very well during the period. However, the segment was impacted by mark-to-market losses on its hedging derivatives, which will reverse in the coming quarters. Overall, segment profit for 2H2020 decreased by 5% to US\$425.1 million. For FY2020, segment profit increased by 26% to US\$795.9 million on the back of strong oilseeds crushing activities in the first half of the year.
- Overall volume for the segment increased by 12% to 31.7 million MT in 2H2020 and by 11% to 58.1 million MT in FY2020, mainly driven by improved sales in both oilseeds and grains and sugar businesses. Revenue for the segment increased by 20% to US\$28.93 billion in FY2020 on the back of higher volume and commodity prices.

## Business Segment results: Plantation and Sugar Milling

	2H2020	2H2019	Δ	FY2020	FY2019	Δ
Revenue (US\$ million)	1,213.2	1,263.3	-4%	2,154.4	2,106.5	2%
➤ Oil Palm Plantation	653.3	543.0	20%	1,137.9	1,023.0	11%
➤ Sugar Milling	559.9	720.3	-22%	1,016.5	1,083.5	-6%
Sales volume ('000 MT)#	2,206	2,962	-26%	3,527	3,986	-12%
➤ Sugar Milling						
Profit before tax (US\$ million)	187.8	62.2	>100%	104.8	(41.3)	n.m.

# Excludes oil palm plantation volume

- Profit for the segment tripled during the period to US\$187.8 million in 2H2020, benefitting from firmer palm and sugar prices during the period. The sustained firm prices during the year also led the segment to turnaround from a loss of US\$41.3 million in FY2019 to a profit of US\$104.8 million in FY2020. Production yield for palm plantations increased by 4% to 10.8 MT per hectare in 2H2020 and 2% to 20.4 MT per hectare in FY2020 as a result of favourable weather conditions, leading to an overall increase in total fresh fruit bunches production to 2,121,508 MT in 2H2020 and 4,030,264 MT in FY2020.
- While the recovery of sugar prices in the second half of the year improved performance of the sugar milling business, the results were partly offset by a US\$20.0 million impairment of sugar milling assets in India in 1H2020. Excluding this non-cash impairment, sugar milling business broke even for the full year. Sales volume for sugar milling operations decreased by 26% to 2.2 million MT in 2H2020 and by 12% to 3.5 million MT in FY2020. Correspondingly, revenue decreased by 22% to US\$559.9 million in 2H2020 and 6% to US\$1.02 billion in FY2020.

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

	<b>2H2020</b>	<b>2H2019</b>	<b>Δ</b>	<b>FY2020</b>	<b>FY2019</b>	<b>Δ</b>
Planted area (ha)	232,053	232,940	0%	232,053	232,940	0%
Mature area harvested (ha)	197,304	194,713	1%	197,304	194,713	1%
FFB production (MT)	2,121,508	2,015,899	5%	4,030,264	3,914,613	3%
FFB Yield (MT/ha)	10.8	10.4	4%	20.4	20.1	2%
<b>Mill Production</b>						
➤ Crude Palm Oil (MT)	911,178	986,630	-8%	1,716,131	1,903,413	-10%
➤ Palm Kernel (MT)	220,369	239,716	-8%	413,089	467,064	-12%
<b>Extraction Rate</b>						
➤ Crude Palm Oil	19.4%	19.6%	-1%	19.9%	19.5%	2%
➤ Palm Kernel	4.7%	4.8%	-2%	4.7%	4.8%	-2%
<b>New Planting (ha)</b>	122	240	-49%	354	1,859	-81%



# 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>31 Dec 2020</b>						
Indonesia	13,405	11,799	72,222	32,167	22,378	151,971
Malaysia	13,949	12,898	11,146	8,348	13,359	59,700
Africa	5,735	7,805	5,084	1,033	725	20,382
<b>Total planted area</b>	<b>33,089</b>	<b>32,502</b>	<b>88,452</b>	<b>41,548</b>	<b>36,462</b>	<b>232,053</b>
<i>% of total planted area</i>	<i>14.3%</i>	<i>14.0%</i>	<i>38.1%</i>	<i>17.9%</i>	<i>15.7%</i>	<i>100.0%</i>
Included YTD new plantings of :	354					
Plasma/outgrower Programme	3,540	73	5,902	6,000	19,761	35,276
<b>31 Dec 2019</b>						
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
<b>Total planted area</b>	<b>34,627</b>	<b>31,750</b>	<b>100,553</b>	<b>25,123</b>	<b>40,887</b>	<b>232,940</b>
<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 11 years.

# Non-Operating Items

US\$ million	2H2020	2H2019	FY2020	FY2019
Foreign exchange (loss)/gain in respect of intercompany loans to subsidiaries	(0.5)	(0.1)	(4.9)	1.2
Net fair value gain/(loss) on investment securities at fair value through profit or loss	27.7	(20.9)	(44.5)	(6.6)
(Loss)/gain on disposal of investment securities at fair value through profit or loss	(0.9)	2.4	2.3	2.4
Investment income from investment securities	52.2	27.9	110.5	45.4
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(3.4)	(12.7)	(9.1)	(30.2)
Net (loss)/gain from fair value adjustment of investment properties	(2.8)	2.8	(2.8)	2.8
<b>Total non-operating items (excluding discontinued operations and impairment on investment in an associate)</b>	<b>72.3</b>	<b>(0.6)</b>	<b>51.5</b>	<b>15.0</b>
Impairment loss on investment in an associate	-	(12.0)	-	(12.0)
Net gain arising from changes in fair value of biological assets	6.1	18.1	6.1	18.1
Gain from discontinued operations	-	99.1	-	43.5
<b>Total</b>	<b>78.4</b>	<b>104.6</b>	<b>57.6</b>	<b>64.6</b>
<b>Net profit (including discontinued operations)</b>	<b>923.6</b>	<b>885.5</b>	<b>1,534.1</b>	<b>1,293.4</b>
<b>Core net profit</b>	<b>850.8</b>	<b>829.3</b>	<b>1,486.3</b>	<b>1,256.4</b>

# Cash Flow

US\$ million	FY2020	FY2019
Operating cash flow before working capital changes	3,594	2,894
Net cash flow generated from operating activities	553	3,338
Less: Acquisitions of subsidiaries, joint ventures and associates	(317)	(129)
Capital expenditure	(1,976)	(1,813)
Net decrease from bank borrowings*	(2,072)	(385)
Decrease/(increase) in other deposits and financial products with financial institutions	2,822	(238)
Dividends	(619)	(462)
Proceeds from dilution of interest in a subsidiary	2,021	-
Others	123	142
Net cash flow	535	453
Free cash flow	916	2,065
Turnover days		
- Inventories	63	71
- Trade Receivables	32	34
- Trade Payables	14	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 increased by 18% to US\$9.44 billion as at 31 December 2020 due to both higher inventory stockholding and commodity prices during the year. As more households in China stocked up on food products during the first half of the year due to the COVID-19 lockdown situation, inventories were sold at a quicker pace during the earlier part of the year, bringing down the average inventory turnover days to 63 days in FY2020.
- Trade receivables, on the back of higher commodity prices, increased by US\$1.03 billion to US\$5.28 billion in FY2020 in line with the increase in sales revenue by the Group. Tighter credit controls measures adopted by the Group led average turnover days to improve to 32 days.
- As at 31 December 2020, trade payables decreased by US\$77.3 million to US\$1.61 billion in FY2020 mainly due to timing of purchases. Average turnover days remained comparable at 14 days in FY2020.

## Funding and Liquidity

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US\$ million	As at Dec 31, 2020		Balance
	Available	Utilised	
Credit facilities :			
Committed	9,487	8,093	1,394
Trade finance	33,661	14,666	18,995
Short term	1,040	391	649
<b>Total credit facilities</b>	<b>44,188</b>	<b>23,150</b>	<b>21,038</b>

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- 63% of utilised facilities were trade financing lines as at December 31, 2020.
- 52% of total facilities were utilised as at December 31, 2020.

## Key Indicators

	As at Dec 31, 2020	As at Dec 31, 2019
Return on Average Equity <sup>#</sup>	8.6%	7.9%
Return on Invested Capital <sup>#</sup>	5.4%	4.9%
in US cents		
EPS (fully diluted)	24.1	20.4
EPS (fully diluted) - excluding discontinued operations	24.1	20.0
NTA per share	212.7	179.8
NAV per share	298.9	264.4
in Singapore cents		
Dividends (interim & final)	13.0	12.5
Dividends (special)	6.5	-

*# 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)*