

WILMAR INTERNATIONAL LIMITED

1Q2019 Results Highlights

May 10, 2019




wilmar

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1Q2019 Financial Performance – Key Takeaways



Earnings Highlights

	1Q19 (US\$m)	vs 1Q18 ⁽¹⁾ △
Revenue	10,444	-6%
EBITDA	645	16%
Net profit	257	26%
Net Profit - excluding discontinued operations	270	33%
Core net profit	250	36%
Earnings per share in US cents (fully diluted)	4.1	28%
Earnings per share In US cents (fully diluted) - excluding discontinued operations	4.3	34%

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

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

	1Q19	1Q18	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	183.8	101.7	81%
Oilseeds and Grains (Manufacturing & Consumer Products)	91.1	172.6	-47%
Sugar (Milling, Merchandising, Refining & Consumer Products)	1.7	(39.0)	<i>n.m.</i>
Others	36.4	36.1	1%
Joint Ventures & Associates	20.9	41.5	-50%
Unallocated expenses [#]	(7.5)	(3.6)	(>100%)
Profit Before Tax	326.4	309.3	6%

[#] Unallocated expenses refer to expenses in relation to the grant of share options to employees.
n.m. – not meaningful

Cash Flow Highlights

US\$ million	1Q19	1Q18	FY18
Operating cash flow before working capital changes	875	792	1,961
Net cash flow generated from operating activities	1,694	1,784	1,501
Less: Acquisitions of subsidiaries, joint ventures and associates	(24)	(291)	(417)
Capital expenditure	(396)	(289)	(1,325)
Net increase from bank borrowings*	8	1,231	3,051
Increase in other deposits and financial products with financial institutions	(1,051)	(2,149)	(2,400)
Dividends	-	-	(495)
Others	132	196	245
Net cash flow	363	482	160
Free cash flow	1,524	1,443	398

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, 2019	As at Dec 31, 2018
Debt/Equity (x)	0.74	0.84
- Net debt [*]	12,260	13,460
- Shareholders' funds	16,532	16,049
Adjusted debt/Equity (x)	0.32	0.34
- Liquid working capital ^{**,#}	6,977	8,044
- Adjusted net debt [#]	5,283	5,416
- EBITDA ^{***}	3,027	2,941
Net debt/EBITDA (x)	4.05	4.58
Adjusted net debt/EBITDA (x) [#]	1.7	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).

^{***} EBITDA for Mar 19 is based on LTM performance

[#] Does not include Brazil discontinued operations.

- Net debt to equity ratio decreased to 0.74x as at Mar 31, 2019.
- Adjusted debt to equity ratio decreased to 0.32x as at Mar 31, 2019, from 0.34x as at Dec 31, 2018.

Business Outlook

- The Group reported a reasonably good set of results in 1Q2019, given the tough operating environment.
- The improved performance of our core businesses by both Tropical Oils and Consumer Products businesses since 2Q2018 has been encouraging. With the exception of sugar milling and palm plantation, most of our businesses are doing reasonably well.
- Further, crushing margins are also expected to improve in 2Q2019. We are cautiously optimistic that performance for the rest of the year will be satisfactory.

Appendix



Business Segment results: Tropical Oils (Plantation, Manufacturing and Merchandising)

	1Q19	1Q18 ⁽¹⁾	Δ
Revenue (US\$ million)	3,819.5	4,394.8	-13%
➤ <i>Plantation</i>	11.4	13.8	-18%
➤ <i>Manufacturing & Merchandising</i>	3,808.1	4,381.0	-13%
Sales volume [#] ('000 MT)	6,199	5,727	8%
➤ <i>Manufacturing & Merchandising</i>			
Profit before tax (US\$ million)	183.8	101.7	81%

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

[#] Excludes plantation volume

- Profit before tax increased by 81% in 1Q19, boosted by stronger performance from the manufacturing and merchandising businesses on the back of better sales volume and margins recorded during the quarter. This was partially offset by lower CPO prices and production yields, which reduced the contributions from the plantation business.
- Production yield decreased by 6% to 4.6 MT per hectare in 1Q19 due to unfavourable weather conditions during the quarter. This resulted in an 8% decrease in total fresh fruit bunches production to 905,261 MT for 1Q19.
- The improvement in sales volume was unable to overcome the lower commodity prices during the quarter, dragging revenue down by 13% to US\$3.8 billion in 1Q19.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	1Q19	1Q18	Δ
Planted area (ha)	231,709	237,455	-2%
Mature area harvested (ha)	195,211	206,380	-5%
FFB production (MT)	905,261	984,998	-8%
FFB Yield (MT/ha)	4.6	4.9	-6%
Mill Production			
➤ Crude Palm Oil (MT)	447,453	402,047	11%
➤ Palm Kernel (MT)	110,813	96,817	14%
Extraction Rate			
➤ Crude Palm Oil	19.6%	20.1%	-2%
➤ Palm Kernel	4.9%	4.9%	0%
New Planting (ha)	125	71	76%

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	11,420	11,842	87,112	15,456	27,419	153,249
Malaysia	15,032	9,421	9,891	8,984	15,846	59,174
Africa	3,945	8,616	4,306	1,694	725	19,286
Total planted area	30,397	29,879	101,309	26,134	43,990	231,709
<i>% of total planted area</i>	<i>13.1%</i>	<i>12.9%</i>	<i>43.7%</i>	<i>11.3%</i>	<i>19.0%</i>	<i>100.0%</i>
Included YTD new plantings of :	125					
Plasma/outgrower Programme	48	64	9,010	3,228	23,485	35,835
<i>% of planted area</i>	<i>0.1%</i>	<i>0.2%</i>	<i>25.1%</i>	<i>9.0%</i>	<i>65.6%</i>	<i>100.0%</i>
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
<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>

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

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

	1Q19	1Q18 ⁽¹⁾	Δ
Revenue (US\$ million)	5,384.4	5,658.6	-5%
➤ Manufacturing	3,384.2	3,683.3	-8%
➤ Consumer Products	2,000.2	1,975.3	1%
Sales volume ('000 MT)	8,475	8,855	-4%
➤ Manufacturing	6,688	7,240	-8%
➤ Consumer Products	1,787	1,615	11%
Profit before tax (US\$ million)	91.1	172.6	-47%

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

- In 1Q19, the segment saw stronger contributions from the Consumer Products, Rice and Flour milling businesses. These helped offset the poor results from the crushing business, which had been impacted by the African swine fever outbreak in China and the sharp drop in Brazilian beans basis. The negative impact had been mitigated by reduced crushing activities and good management of the Group's beans position. Consequently, overall profit in 1Q19 was lower at US\$91.1 million.
- Overall sales volume decreased by 4% in 1Q19 as a result of lower meal demands due to the African swine fever outbreak.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	1Q19	1Q18	Δ
Revenue (US\$ million)	1,008.0	835.6	21%
➤ <i>Milling</i>	133.4	45.6	>100%
➤ <i>Merchandising, Refining & Consumer Products</i>	874.6	790.0	11%
Sales volume ('000 MT)	2,850	2,187	30%
➤ <i>Milling</i> ⁽¹⁾	348	129	>100%
➤ <i>Merchandising, Refining & Consumer Products</i>	2,502	2,058	22%
Profit/(loss) before tax (US\$ million)	1.7	(39.0)	n.m.

n.m. – not meaningful

- The segment recorded profit of US\$1.7 million in 1Q19, driven by stronger performance from refining and merchandising activities. The improvement in segment results was further boosted by contributions from Shree Renuka Sugars Limited (SRSL), in line with the ongoing sugar milling season in India.
- Sales volume increased by 30% in 1Q19 on the back of stronger sales across all Sugar businesses. Accordingly, overall revenue for the segment increased by 21% for the quarter.

Non-Operating Items and Discontinued Operations

US\$ million	1Q19	1Q18
Foreign exchange gain/(loss) in respect of intercompany loans to subsidiaries	1.1	(0.2)
Net gain/(loss) from investment securities at fair value through profit or loss	23.5	(14.8)
Investment income from investment securities at fair value through other comprehensive income	6.6	43.3
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(9.0)	(6.7)
Total non-operating items (excluding discontinued operations)	22.2	21.6
Loss from discontinued operations	(21.7)	-
Total non-operating items (including discontinued operations)	0.5	21.6
Net profit (including discontinued operations)	257.0	203.3
Core net profit	250.3	183.5

Cash Flow

US\$ million	1Q19	1Q18	FY18
Operating cash flow before working capital changes	875	792	1,961
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Dividends	-	-	(495)
Others	132	196	245
Net cash flow	363	482	160
Free cash flow	1,524	1,443	398
Turnover days			
- Inventories	80	70	73
- Trade Receivables	39	33	34
- Trade Payables	16	10	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.

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 10% to US\$7.13 billion as at 31 March 2019, due to lower inventory stockholding in China which resulted from the post Chinese Spring Festival seasonal impact. Excluding the impact of the acquisition of SRSL, average turnover days was higher at 78 days for 1Q19 as a result of the African swine fever in China, which slowed down the Group's crushing activities in early 1Q19.
- Trade receivables decreased by US\$500.9 million to US\$3.85 billion in 1Q19. Excluding the impact of the acquisition of SRSL, average turnover days was at 39 days for 1Q19. Despite the higher turnover days during the period, the Group continues to maintain a healthy profile of its aging balance.
- Trade payables decreased by US\$156.0 million to US\$1.29 billion in 1Q19 due to timing of purchases made. Excluding the impact of the acquisition of SRSL, average turnover days increased to 13 days in 1Q19.

Funding and Liquidity

US\$ million	As at Mar 31, 2019		Balance
	Available	Utilised	
Credit facilities :			
Committed	8,593	7,217	1,376
Trade finance	32,822	15,978	16,844
Short term	867	421	446
Total credit facilities	42,282	23,616	18,666

- 68% of utilised facilities were trade financing lines as at March 31, 2019.
- 56% of total facilities were utilised as at March 31, 2019.

Key Indicators

	As at Mar 31, 2019	As at Dec 31, 2018
Return on Average Equity ^{#,*}	7.3%	7.0%
Return on Average Capital Employed ^{#,*}	5.4%	5.0%
Return on Invested Capital ^{#,*}	5.1%	4.8%
in US cents		
EPS (fully diluted)	4.1	17.8
EPS (fully diluted) - excluding discontinued operations	4.3	18.2
NTA per share	190.0	182.6
NAV per share	261.3	253.7

Formulas :

Return on Average Equity = Net profit ÷ Average equity

Return on Average Capital Employed = $EBIT \times (1 - \text{tax rate}) \div (\text{Average equity} + \text{Average minority interest} + \text{Average net debt})$

Return on Invested Capital = $(\text{Earnings before interest} - \text{Fair value of biological assets}) \div (\text{Average long term assets excl Intangibles \& DTA} + \text{Average net working capital excl cash and borrowings})$

* Mar 19 returns based on LTM performance