

4 November 2024

Agriculture | Plantation

Wilmar International (WIL SP)

Neutral (Maintained)

Stronger Volumes, Weaker Margins

- **Maintain NEUTRAL, with new SOP-based SGD3.00 TP from SGD3.10, 3% downside.** Wilmar International's 9M24 results came in below expectations. While we expect earnings to see QoQ improvements in 4Q24, external factors like the upcoming US election risks could crimp share price recovery. Valuation will likely remain at a discount to its China-listed peers until earnings make a significant turnaround.
- **9M24 core profit accounted for 65% and 56% of our and consensus FY24 estimates.** The main discrepancy came from lower margins for all divisions, despite stronger-than-expected sales volume recovery in 3Q24. 3Q24 core net profit saw a decrease QoQ and YoY (-25% and -36%).
- **In 3Q24, food product sales volume grew 16.6% QoQ,** driven by a strong recovery in consumer products (+34.9% QoQ) as well as medium pack and bulk (+11.4%). This brought 9M24 sales volume growth to 6.3% YoY, which is actually above our projected 2% growth for FY24F. Although there is no segmental disclosure on PBT for 3Q24, management noted that margin declined in 3Q24, likely coming from downtrading activities.
- **Feed and industrial division saw QoQ volume rise 16.9% in 3Q24** – driven by sugar (+25.5%) and oilseeds and grains (+20.2%). This brought 9M24 sales volume to +8.9% YoY (up from -9.3% YoY in 1H24), again higher than our projected -5% YoY for FY24F. Despite the improvement in volume in the oilseeds and grains segment, profitability was dragged down by weaker profit in China as crushing margin fell. Going forward, with the recently announced stimulus package in China, demand could improve further, although this could be slightly offset by the higher import duty risks stemming from a potential deterioration in the US-China trade tensions.
- **As for the tropical oils segment, refining margin weakened in 3Q24,** but should improve in 4Q, taking into account the change in the export tax levy in Indonesia from mid-September and Malaysia from 1 November.
- **The sugar trading and merchandising segment continued to see strong volume in 3Q** but as sugar prices fell and milling activities were affected by the sugar strike, margin is likely to have been hit in 3Q24, leading to weaker profit contribution. Going forward, although the sugar strike in Australia has ended, a delayed milling programme could also keep margins relatively subdued, although 4Q24 should see an improvement QoQ.
- **No disclosure for the plantation and sugar milling division,** but this should have improved QoQ as CPO prices rose and FFB output increased seasonally.
- **We cut FY24F-26F earnings by 9.1%, 3.9%, and 1.2% for,** after ascribing lower margins for the feed and industrial division, although this was offset slightly after inputting our latest in-house FX assumptions.
- **Maintain NEUTRAL, with lower SGD3.00 TP** (including 4% ESG premium). We believe Wilmar will trade in line with regional valuations until earnings undergo a significant turnaround.

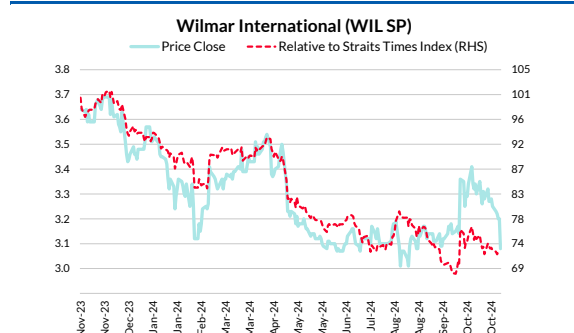
Target Price (Return):	SGD3.00 (-3%)
Price (Market Cap):	SGD3.08 (USD14,541m)
ESG score:	3.3 (out of 4)
Avg Daily Turnover (SGD/USD)	15.6m/11.8m

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(13.7)	(5.2)	(2.8)	(4.7)	(14.2)
Relative	(23.5)	(4.6)	(6.9)	(12.8)	(29.9)
52-wk Price low/high (SGD)				3.01	–3.69



Source: Bloomberg

Overall ESG Score: 3.3 (out of 4)

E: EXCELLENT

Wilmar had a GHG emissions intensity of 0.68 CO₂e/tonne on its CPO in 2023, as compared to 0.72 CO₂e/tonne in 2018. This was achieved as a result of consistent usage of biomass as fuel and operating methane capture plants at maximum efficiency. It also has 81% RSPO certification at its estates and mills, and targets to hit the 100% mark by 2025.

S: GOOD

It has policies guided by international standards as set out in the United Nations (UN) Guiding Principles on Business and Human Rights, UN Global Compact, International Labour Organisation conventions, the UK Modern Slavery Act and the Universal Declaration of Human Rights and its covenants. It is working with other plantation players to find a solution under the Decent Rural Living initiative, convened by Forum for the Future.

G: EXCELLENT

Half of the Board members are independent directors, with full disclosure on director remuneration including salaries and bonuses. Only four out of 14 directors are women. Wilmar has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (USDm)	73,399	67,155	70,896	72,762	74,700
Recurring net profit (USDm)	2,420	1,336	1,131	1,355	1,505
Recurring net profit growth (%)	31.3	(44.8)	(15.3)	19.8	11.1
Recurring P/E (x)	6.01	10.89	12.86	10.73	9.66
P/B (x)	0.7	0.7	0.7	0.7	0.7
P/CF (x)	7.10	3.74	10.31	6.95	6.22
Dividend Yield (%)	5.3	5.4	4.4	5.4	5.7
EV/EBITDA (x)	8.57	9.95	11.31	10.16	9.29
Return on average equity (%)	12.0	7.6	5.4	6.3	6.9
Net debt to equity (%)	109.3	99.1	104.0	102.5	99.8

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (USD)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Singapore	Recurring EPS	0.39	0.21	0.18	0.22	0.24
Agriculture	DPS	0.12	0.13	0.10	0.13	0.13
Wilmar International	BVPS	3.12	3.15	3.22	3.31	3.41
WIL SP	Return on average equity (%)	12.0	7.6	5.4	6.3	6.9
Neutral						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
SOP	Recurring P/E (x)	6.01	10.89	12.86	10.73	9.66
	P/B (x)	0.7	0.7	0.7	0.7	0.7
	FCF Yield (%)	(3.0)	11.1	(4.1)	1.9	3.6
	Dividend Yield (%)	5.3	5.4	4.4	5.4	5.7
Key drivers	EV/EBITDA (x)	8.57	9.95	11.31	10.16	9.29
i. CPO prices and FFB production output;	EV/EBIT (x)	11.42	14.72	17.68	15.54	14.02
ii. Soybean crush margins;						
iii. Improved profitability of rice and flour business;						
iv. Favourable tax regime.						
Key risks	Income statement (USDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Volatilities in oilseeds earnings;	Total turnover	73,399	67,155	70,896	72,762	74,700
ii. Slower-than-expected recovery in vegetable oil demand.	Gross profit	7,476	5,273	5,567	5,713	5,866
	EBITDA	4,392	3,584	3,325	3,758	4,153
	Depreciation and amortisation	(1,095)	(1,162)	(1,199)	(1,300)	(1,401)
	Operating profit	3,297	2,423	2,126	2,458	2,752
	Net interest	(448)	(748)	(813)	(892)	(1,012)
	Pre-tax profit	3,117	1,956	1,435	1,704	1,896
	Taxation	(547)	(298)	(235)	(260)	(289)
	Reported net profit	2,402	1,525	1,102	1,326	1,476
	Recurring net profit	2,420	1,336	1,131	1,355	1,505
Company Profile	Cash flow (USDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Wilmar International is an agribusiness company. It has over 500 manufacturing plants and an extensive distribution network covering China, India, Indonesia and some 50 other countries. Wilmar is involved in 3 main commodities which are palm, soybean and sugar.	Change in working capital	(778)	2,194	(865)	(558)	(562)
	Cash flow from operations	2,048	3,885	1,410	2,093	2,338
	Capex	(2,487)	(2,271)	(2,010)	(1,810)	(1,810)
	Cash flow from investing activities	(2,218)	(2,464)	(2,074)	(1,873)	(1,873)
	Dividends paid	(755)	(795)	(662)	(803)	(851)
	Cash flow from financing activities	429	113	(37)	142	92
	Cash at beginning of period	2,693	2,999	4,505	3,513	4,241
	Net change in cash	259	1,534	(701)	362	557
	Ending balance cash	3,104	4,658	3,638	4,074	5,361
	Balance sheet (USDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	5,722	8,156	6,513	6,241	6,163
	Tangible fixed assets	15,499	16,558	18,019	18,647	19,175
	Total investments	3,615	3,468	3,161	2,871	2,598
	Total assets	60,402	61,809	62,584	63,282	64,114
	Short-term debt	23,435	22,242	22,242	22,242	22,242
	Total long-term debt	6,994	8,460	8,460	8,460	8,460
	Total liabilities	37,801	39,057	39,319	39,415	39,532
	Total equity	22,601	22,752	23,265	23,867	24,581
	Total liabilities & equity	60,402	61,809	62,584	63,282	64,114
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	11.6	(8.5)	5.6	2.6	2.7
	Recurrent EPS growth (%)	32.5	(44.8)	(15.3)	19.8	11.1
	Gross margin (%)	10.2	7.9	7.9	7.9	7.9
	Operating EBITDA margin (%)	6.0	5.3	4.7	5.2	5.6
	Net profit margin (%)	3.3	2.3	1.6	1.8	2.0
	Dividend payout ratio (%)	33.1	52.7	60.1	60.6	57.6
	Capex/sales (%)	3.4	3.4	2.8	2.5	2.4
	Interest cover (x)	3.78	1.94	1.70	1.96	2.20

Source: Company data, RHB

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Figure 1: WIL's results review

FYE Dec (USD)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)	Comments
Revenue	17,673	15,253	17,749	16.4	0.4	50,211	48,684	(3.0)	Likely due to lower commodity prices, but offset by the higher sales volume from food products (+6.3% YoY) and feed & industrial products (+8.9% YoY)
EBITDA	1,023	878	913	4.1	(10.7)	2,677	2,703	1.0	Narrower margins across the board
EBITDA margin (%)	5.8	5.8	5.1			5.3	5.6		
Net profit	314	277	254	(8.1)	(19.0)	865	834	(3.6)	
Net margin (%)									
Core profit	324	278	208	(25.1)	(35.7)	901	814	(9.6)	
Core net margin (%)	1.8	1.8	1.2			1.8	1.7		

Source: Company data, RHB

Figure 2: Operational statistics

FYE Dec ('000 tonnes)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Food products	8,315	7,449	8689.0	16.6	4.5	22,894	24,325	6.3
- Consumer products	2,219	1660.0	2239.0	34.9	0.9	6150	6328	2.9
- Medium pack and bulk	6,096	5789	6450	11.4	5.8	16744	17997	7.5
Feed & industrial products	16,617	15,610	18242	16.9	9.8	44,538	48,489	8.9
- Tropical oils	6,771	6063	6598	8.8	(2.6)	18175	18613	2.4
- Oilseeds and grains	6,246	6375	7662	20.2	22.7	17457	19392	11.1
- Sugar	3,600	3172	3982	25.5	10.6	8906	10484	17.7

Source: Company data, RHB

Figure 3: SOP valuation

SOP valuation	Value (USDm)	Valuation basis
Plantation and sugar milling	4,113	10x FY24F P/E
Consumer products	3,982	15x blended FY24F P/E
Feed and industrial products	6,241	10x blended FY24F P/E
Others	27	DCF: Ce 7.7%, Rf 4%, Beta 1.0, Rm 7.7%, TG 0%
JV & associates	1,435	0.5x P/BV
SOP value	15,799	
Value per share (USD)	2.53	
Exchange rate	1.32	
Conglomerate discount	-15%	
ESG premium/(discount)	+4.7%	
SOP TP (rounded up)	3.00	

Source: RHB

Emissions And ESG

Trend analysis

In FY23, Scope 1 emissions slightly decreased to 8.7m tonnes of CO2 equivalents (FY22: 8.8m tonnes of CO2 equivalents) while Scope 2 increased to 5.2m tonnes of CO2 equivalents (FY22: 4.9m tonnes of CO2 equivalents)

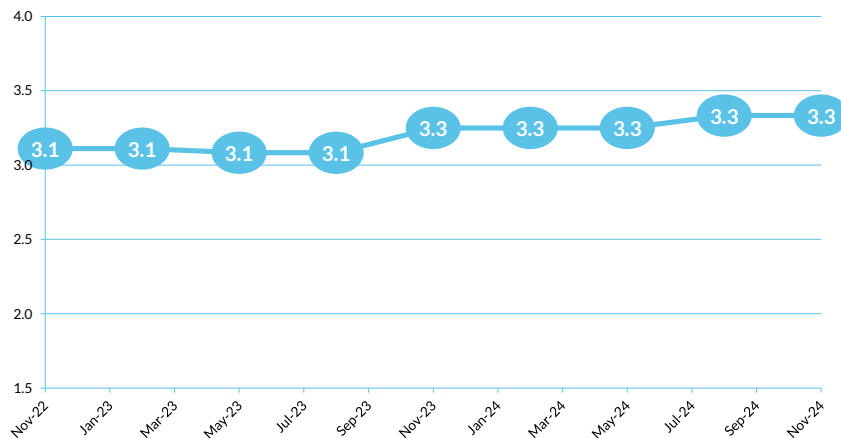
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	9,600,000	8,800,000	8,700,000
Scope 2	4,400,000	4,900,000	5,200,000
Scope 3	na	na	na
Total emissions	14,000,000	13,700,000	13,900,000

Source: Company data, RHB

Latest ESG-Related Developments

- **Strengthening climate commitment:** In 2022, Wilmar has signed up with Science Based Target initiative (SBTi) to set its emission reduction targets as well as to demonstrate progress of its commitment.
- **GHG emissions mapped out:** Wilmar has successfully completed the mapping of its Scope 1 and Scope 2 GHG emissions for the new baseline year, ie FY22.
- **Reduced water intensity:** Wilmar has successfully achieved its target of reducing water intensity in POMs in Indonesia and Nigeria, both meeting target of below 1.3m3/MT.
- **Biodiversity and conservation work:** As part of its riparian rehabilitation programme, a total of 531ha of riparian zones were restored and rehabilitated, as of Dec 2023.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-14	Neutral	3.10	3.09
2024-08-12	Neutral	3.30	3.04
2024-05-01	Neutral	3.50	3.23
2024-02-22	Buy	4.10	3.41
2023-11-19	Buy	4.40	3.68
2023-10-30	Buy	4.25	3.54
2023-08-14	Buy	4.25	3.66
2023-07-23	Buy	4.65	3.75
2023-05-02	Buy	4.40	3.93
2023-02-23	Buy	4.65	3.95
2022-10-31	Buy	5.40	3.88
2022-08-10	Buy	4.95	4.15
2022-08-08	Buy	5.05	4.09
2022-05-04	Buy	5.10	4.41
2022-02-23	Buy	5.30	4.56

Source: RHB, Bloomberg

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Not Rated:	Stock is not within regular research coverage

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