

### COMPANY UPDATE

## Wilmar International (WIL SP)

Driving More Positive Impact

Wilmar earned its accolades in 2021 and is still working towards its targets of 100% traceability to the mills by 2023 and 100% RSPO by 2025 for all their palm oil management units. Wilmar is also committed to net-zero emissions by 2050. They also recently announced their NDPE Sugar policy to ensure sustainability for the sugar sector. Maintain BUY. Target price: S\$5.50.

### WHAT'S NEW

• Wilmar International (Wilmar) is one of the best in sustainable practices in the palm industry. They are ranked first in the SPOTT scoring by Zoologist Society of London, listed in the World Dow Jones Sustainability Index and have many other awards for their sustainability efforts. Wilmar remains committed to their sustainability journey. Below are some of the sustainability initiatives Wilmar made and their upcoming targets moving forward:

**a) NDPE commitments for palm.** As of Dec 21, 98.2% (23.6m tonnes) of Wilmar's palm oil is traceable to the mills and 83.5% of volume across Wilmar's global supply chains is from suppliers that have at least company group-level commitment/action plans to address NDPE requirements, whereas 68% of its global supply chain is traceable to the estates. Wilmar targets to hit 100% traceability to the mills by 2023.

**b) No exploitation; support for smallholders.** Wilmar had also emphasised on human rights such as child protection, the women's charter and more. They also published a human rights framework in Dec 21, a first in the palm sector. Smallholders account for 7.1% of Wilmar's FFB supply base and are given high-yield seedlings, high quality fertilisers and training on sustainable agronomic practices. With these, the yield from the smallholders has also improved significantly.

**c) Roundtable on RSPO certification.** Wilmar targets to achieve Sustainable Palm Oil (RSPO) certification for all their palm oil management units (mills and supplying plantations) by 2025. Wilmar used about 13% of total RSPO production. While Wilmar is trying to increase the usage of RSPO, Wilmar's refinery capacity is at 23.6m tonnes but there is only 14m tonnes of RSPO-certified production and hence there is not enough RSPO production capacity for Wilmar's refineries.

**d) Climate changes.** About 57% of the energy used by Wilmar was derived from renewable energy in 2021. Wilmar's GHG emission also dropped by 3% yoy in 2021. The group had also recently committed to net-zero emissions by 2050. To achieve this, Wilmar is working with climate consultants to map out Wilmar's Scope 3 emissions, verifying Scope 1& 2 GHG emissions with third-party auditors and developing the roadmap to 2050.

### KEY FINANCIALS

Year to 31 Dec (US\$m)	2020	2021	2022F	2023F	2024F
Net turnover	50,527	65,794	65,390	70,868	77,251
EBITDA	3,323	3,943	3,928	4,041	4,308
Operating profit	2,340	2,800	2,685	2,751	2,998
Net profit (rep./act.)	1,534	1,890	1,780	1,819	1,994
Net profit (adj.)	1,486	1,842	1,780	1,819	1,994
EPS (US\$ cent)	23.2	28.8	27.8	28.4	31.1
PE (x)	12.3	10.0	10.3	10.1	9.2
P/B (x)	1.0	0.9	0.9	0.9	0.8
EV/EBITDA (x)	13.4	11.3	11.3	11.0	10.3
Dividend yield (%)	4.7	4.1	3.9	4.0	4.3
Net margin (%)	3.0	2.9	2.7	2.6	2.6
Net debt/(cash) to equity (%)	91.2	114.3	114.5	108.9	106.1
Interest cover (x)	14.4	15.6	13.9	13.1	13.6
ROE (%)	8.6	9.7	8.8	8.6	9.1
Consensus net profit	-	-	1,886	1,955	2,097
UOBKH/Consensus (x)	-	-	0.94	0.93	0.95

Source: Wilmar International, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	S\$4.02
Target Price	S\$5.50
Upside	+36.8%

### COMPANY DESCRIPTION

Wilmar's business encompassing the entire value chain of the agricultural commodity business, from origination, processing, merchandising to manufacturing of a wide range of branded consumer products.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	WIL SP
Shares issued (m):	6,270.7
Market cap (S\$m):	25,208.3
Market cap (US\$m):	17,967.4
3-mth avg daily t'over (US\$m):	23.1

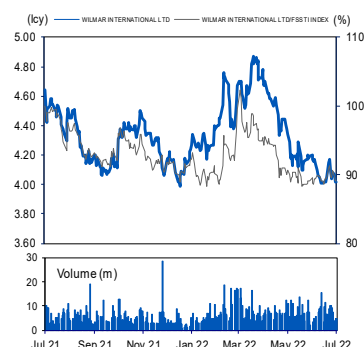
### Price Performance (%)

52-week high/low	S\$4.87/S\$3.99			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(4.1)	(15.9)	(5.2)	(12.6)	(2.9)

### Major Shareholders

Archer Daniels Midland	22.3
Kuok Brothers	18.8
Kuok Khoon Hong	12.8
FY22 NAV/Share (US\$)	3.23
FY22 Net Debt/Share (US\$)	3.70

### PRICE CHART



Source: Bloomberg

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**e) NDPE Sugar policy.** Wilmar introduced the No Deforestation, No People Exploitation Sugar (NDPE Sugar) policy in Sep 21. The objective is to work with their suppliers, and to improve their sustainability for long term benefit. There is no time bound plan yet. Having said that, 80% of their sugar refineries are covered for traceability to the mills currently.

### ESSENTIALS

- **Plasma smallholders in Indonesia.** Out of the total hectares owned by scheme smallholders, 11.7% in Indonesia and Ghana are RSPO-certified. On top of that, Wilmar had fulfilled the Indonesian government's requirement of provide community plantations (plasma) up to an area of at least 20% of the total concession area of the company. Currently, Wilmar has a total planted area of over 34,032ha under government-originated plasma schemes and currently has fully met the regulation requirements.
- **Increasing demand for sustainability certified palm products.** 91% of the RSPO production is sold as RSPO and other schemes such International Sustainability & Carbon Certification (ISCC). The management had also shared with us that the other sustainability certification for palm such as Malaysia Sustainable Palm Oil (MSPO) and Indonesia Sustainable Palm Oil (ISPO) as the production for RSPO-certified palm oil supply is lower than the demand and buyers turned to other sustainable certifications.

### EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** Our current net profit forecasts are US\$1.78b, US\$1.82b and US\$2.0b for 2022, 2023 and 2024 respectively.

### VALUATION/RECOMMENDATION

- **Maintain BUY with target price of S\$5.50.** Our target price is derived using the SOTP valuation by pegging a 2022F PE of 17x for the China operations and a blended 11x PE for the non-China operations.

### SHARE PRICE CATALYST

- Stronger recovery in China operations.
- Surprise margin upside from the good timing in sourcing of raw materials.

### KEY SUSTAINABILITY HIGHLIGHTS



Source: Wilmar

### WILMAR SUSTAINABILITY JOURNEY



Source: Wilmar

### TOTAL ENERGY CONSUMPTION FROM RENEWABLE SOURCES (BY BUSINESS ACTIVITY)

BUSINESS ACTIVITY	2021 RENEWABLE ENERGY CONSUMPTION (MW)	% OF TOTAL ENERGY CONSUMPTION IN 2021
OIL PALM PLANTATIONS	25,142	12%
PALM OIL MILLS	5,173,595	99%
SUGARCANE PLANTATIONS	0	0%
SUGAR MILLS	18,017,011	99%
FACTORIES	7,380,720	28%
SHIPPING	0	0%
<b>TOTAL CONSUMPTION</b>	<b>30,530,468</b>	<b>57%</b>

Source: Wilmar

### ACCOLADES IN 2021



Source: Wilmar

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
<b>Net turnover</b>	<b>65,794</b>	<b>65,390</b>	<b>70,868</b>	<b>77,251</b>
EBITDA	3,943	3,928	4,041	4,308
Deprec. & amort.	1,143	1,243	1,290	1,310
EBIT	2,800	2,685	2,751	2,998
Total other non-operating income	0	0	0	0
Associate contributions	219	224	242	261
Net interest income/(expense)	(253)	(282)	(308)	(316)
<b>Pre-tax profit</b>	<b>2,766</b>	<b>2,626</b>	<b>2,685</b>	<b>2,943</b>
Tax	(700)	(664)	(679)	(744)
Minorities	(176)	(182)	(187)	(204)
<b>Net profit</b>	<b>1,890</b>	<b>1,780</b>	<b>1,819</b>	<b>1,994</b>
Net profit (adj.)	1,842	1,780	1,819	1,994

### CASH FLOW

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>(45)</b>	<b>2,410</b>	<b>1,637</b>	<b>1,593</b>
Pre-tax profit	2,766	2,626	2,685	2,943
Tax	(687)	(664)	(679)	(744)
Deprec. & amort.	1,084	1,243	1,290	1,310
Working capital changes	(3,100)	(591)	(1,437)	(1,675)
Other operating cashflows	(108)	(204)	(222)	(241)
<b>Investing</b>	<b>(2,418)</b>	<b>(1,931)</b>	<b>(1,431)</b>	<b>(1,430)</b>
Capex (maintenance)	(2,532)	(2,045)	(1,545)	(1,544)
Investments	86	86	86	86
Proceeds from sale of assets	62	62	62	62
Others	28	28	28	28
<b>Financing</b>	<b>(1,198)</b>	<b>1,789</b>	<b>2,405</b>	<b>(57)</b>
Dividend payments	(462)	(699)	(1,050)	(498)
Issue of shares	0	23	41	41
Proceeds from borrowings	794	685	6,339	400
Others/interest paid	(1,530)	1,780	(2,925)	0
<b>Net cash inflow (outflow)</b>	<b>(3,661)</b>	<b>2,268</b>	<b>2,611</b>	<b>106</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,583</b>	<b>2,588</b>	<b>3,072</b>	<b>2,272</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>(1,077)</b>	<b>4,855</b>	<b>5,683</b>	<b>2,378</b>

### BALANCE SHEET

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
<b>Fixed assets</b>	<b>14,192</b>	<b>15,049</b>	<b>15,306</b>	<b>15,515</b>
Other LT assets	12,711	12,594	11,900	11,265
Cash/ST investment	6,342	6,052	5,772	4,881
Other current assets	25,473	26,590	28,180	30,501
<b>Total assets</b>	<b>58,718</b>	<b>60,284</b>	<b>61,158</b>	<b>62,162</b>
ST debt	22,292	22,492	22,492	22,492
Other current liabilities	6,101	6,208	6,800	7,426
LT debt	6,823	7,223	6,623	6,024
Other LT liabilities	900	830	761	696
Shareholders' equity	19,924	20,671	21,435	22,272
Minority interest	2,678	2,861	3,047	3,252
<b>Total liabilities &amp; equity</b>	<b>58,718</b>	<b>60,284</b>	<b>61,158</b>	<b>62,162</b>

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	6.0	6.0	5.7	5.6
Pre-tax margin	4.2	4.0	3.8	3.8
Net margin	2.9	2.7	2.6	2.6
ROA	3.4	3.0	3.0	3.2
ROE	9.7	8.8	8.6	9.1
<b>Growth</b>				
Turnover	30.2	(0.6)	8.4	9.0
EBITDA	18.6	(0.4)	2.9	6.6
Pre-tax profit	19.7	(5.0)	2.2	9.6
Net profit	23.2	(5.9)	2.2	9.6
Net profit (adj.)	23.9	(3.4)	2.2	9.6
EPS	23.9	(3.4)	2.2	9.6
<b>Leverage</b>				
Debt to total capital	56.3	55.8	54.3	52.8
Debt to equity	146.1	143.7	135.8	128.0
Net debt/(cash) to equity	114.3	114.5	108.9	106.1
Interest cover (x)	15.6	13.9	13.1	13.6

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