

Singapore

September 16, 2020 - 8:07 PM

ADD (no change)

Consensus ratings*: Buy 12 Hold 1 Sell 1

Current price:	S\$4.30
Target price:	S\$5.53
Previous target:	S\$5.53
Up/downside:	28.6%
CGS-CIMB / Consensus:	8.8%
Reuters:	WLIL.SI
Bloomberg:	WIL SP
Market cap:	US\$20,104m
	S\$27,338m
Average daily turnover:	US\$41.76m
	S\$57.36m
Current shares o/s	6,403m
Free float:	29.5%

*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (US\$m)	1,300	1,261	1,326
Core EPS (US\$)	0.20	0.20	0.21
Core EPS Growth	2.54%	(3.04%)	5.20%
FD Core P/E (x)	15.57	16.06	15.27
Recurring ROE	7.59%	7.07%	7.15%
P/BV (x)	1.16	1.11	1.07
DPS (US\$)	0.091	0.089	0.093
Dividend Yield	2.89%	2.80%	2.95%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11	10.8	11.1
Relative (%)	-8	16.9	32.9

Major shareholders	% held
PPB Group & Kuok group	33.4
Archer Daniels Midland	23.9
Kuok Khoon Hong	12.5

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Wilmar International

YKA gets green light for China listing

- Wilmar's subsidiary YKA has received final registration approval for listing on SZSE ChiNext Board. The listing could take place by mid-Oct 2020.
- We are positive on this as the listing of YKA will help unlock value for the group's assets in China and catalyse its share price.
- Market could be underestimating YKA's potential value as the implied P/E for YKA at Wilmar's current price is 19.4x, against its comparable peers' of 38x.

YKA received final registration approval for listing

- Wilmar International announced that its 99.99%-owned subsidiary Yihai Kerry Arawana Holdings (YKA) has received final registration approval for listing on the Shenzhen Stock Exchange SZSE ChiNext Board from the China Securities Regulatory Commission (CSRC).

IPO entails issuance of new shares; listing expected by mid-Oct

- The listing will entail the issuance of new YKA shares (IPO), accounting for not less than 10% of YKA's issued share capital on an enlarged basis. Strategic investors, which include mainly state-owned funds, sovereign wealth funds and insurance companies, have been identified to subscribe for approximately 30% of the IPO shares. The final subscription size by the strategic investors and the composition of the strategic investors are still subject to final confirmation by the regulatory authorities. Based on the usual IPO timeline, it is expected that the listing will take place by mid-Oct 2020, subject to market conditions.

Why YKA listing could catalyse Wilmar's share price

- We are positive on this as the approval will allow Wilmar to proceed with the listing of YKA. We believe this could further catalyse its share price as the listing will help unlock value for the group's operations in China, which make up around 60% of the group's earnings. The next event that investors will be watching out for is the pricing of the IPO. The IPO pricing will be based on investor demand and YKA's 2019 recurring earnings of Rmb4.5bn. Wilmar revealed in its earlier briefing that the average P/E valuations of comparables listed in the same stock exchange category is 38x. Should YKA's IPO fetch a 38x P/E valuation, we estimate the market cap for YKA to be around US\$24.3bn, higher than Wilmar's current market cap of US\$20.1bn.

Implied P/E for YKA at current Wilmar share price is only 19.4x

- Based on our estimates, if YKA is valued at P/E's of between 23x and 38x, its potential market capitalisation should be between US\$14.7bn and US\$24.3bn. We value Wilmar's remaining business (ex-YKA) at 12x-16x to arrive at a valuation of between US\$7.4bn and US\$9.9bn. Combining these two parts, we estimate Wilmar's market cap to be in the range of US\$22.1bn to US\$34.2bn (or S\$4.81 to S\$7.43 per share), which is higher than its current share price of S\$4.30 per share. Assuming Wilmar (ex-YKA) is valued at 12x P/E, we estimate the implied P/E for YKA at Wilmar's current share price to be just 19.4x.

Reiterate Add, with an unchanged TP of S\$5.53

- Wilmar's share price corrected from its YTD peak of S\$4.86 on 19 Aug, due to concerns of a short-term overhang on Wilmar's shares from the placement of its shares by its second largest shareholder, ADM. Despite the near-term setbacks, we remain positive on Wilmar due to its favourable earnings prospects and our view that market could be underestimating YKA's potential value. These coupled with a potential special dividend post-listing of YKA are the key reasons why we continue to reiterate our Add with an unchanged SOP-based TP of S\$5.53. Key risks to our call are delays in YKA's listing, lower-than-expected processing margins from its key divisions, and further share placement by major shareholders at a discount to market price.

Figure 1: Sector comparison - Agribusiness

Company	BB Ticker	Recom.	Price	Target	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recur. ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F
IOI Corporation	IOI MK	Hold	RM4.46	RM4.53	6,763	33.6	29.4	-0.9%	2.95	2.82	8.7%	9.0%	20.8	19.4	1.9%	2.0%
Kuala Lumpur Kepong	KLK MK	Hold	RM22.78	RM23.65	5,944	31.3	29.8	-10.2%	2.30	2.25	7.4%	7.6%	15.0	14.7	2.4%	2.6%
FGV Holdings Bhd	FGV MK	Hold	RM1.25	RM1.21	1,103	na	1144.1	na	1.09	1.09	-2.1%	0.1%	13.0	11.1	0.0%	0.0%
Genting Plantations	GENP MK	Add	RM9.90	RM10.70	2,149	47.7	34.5	16.2%	1.79	1.74	3.9%	5.1%	20.5	17.0	1.0%	1.3%
Hap Seng Plantations	HAPL MK	Add	RM1.72	RM1.85	333	72.3	49.7	-7.3%	0.83	0.83	1.2%	1.7%	11.3	10.7	1.8%	1.7%
Ta Ann	TAH MK	Add	RM2.70	RM3.17	288	20.4	16.7	9.4%	0.81	0.80	4.1%	4.8%	8.9	8.1	2.6%	3.7%
Malaysia Average						32.9	104.6	-1.9%	2.4	2.3	6.7%	7.2%	17.8	16.5	1.9%	2.0%
Wilmar International	WIL SP	Add	SGD4.30	SGD5.53	20,135	15.6	16.1	-1.1%	1.16	1.12	7.6%	7.1%	11.7	12.4	2.9%	2.8%
Golden Agri-Resource	GGR SP	Reduce	SGD0.14	SGD0.12	1,327	na	na	na	0.31	0.31	-1.7%	-0.1%	8.7	7.7	0.0%	0.0%
First Resources Ltd	FR SP	Add	SGD1.31	SGD1.80	1,525	14.8	12.1	4.4%	1.37	1.27	9.6%	10.9%	7.0	6.3	2.0%	2.5%
Singapore Average						14.6	14.9	-0.7%	1.13	1.08	7.2%	6.9%	11.2	11.7	2.7%	2.6%
Sector average						23.8	59.7	-1.3%	1.7	1.7	6.9%	7.0%	14.5	14.1	2.3%	2.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(US\$m)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	42,641	48,932	53,495	56,877
Gross Profit	4,486	5,148	5,628	5,984
Operating EBITDA	2,838	3,197	3,149	3,344
Depreciation And Amortisation	-876	-902	-929	-957
Operating EBIT	1,962	2,295	2,219	2,387
Financial Income/(Expense)	-417	-719	-713	-788
Pretax Income/(Loss) from Assoc.	153	168	185	204
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	1,698	1,744	1,691	1,802
Exceptional Items	0	0	0	0
Pre-tax Profit	1,698	1,744	1,691	1,802
Taxation	-372	-384	-372	-415
Exceptional Income - post-tax				
Profit After Tax	1,327	1,361	1,319	1,388
Minority Interests	-59	-60	-59	-62
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	1,268	1,300	1,261	1,326
Recurring Net Profit	1,268	1,300	1,261	1,326
Fully Diluted Recurring Net Profit	1,268	1,300	1,261	1,326

Balance Sheet

(US\$m)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	4,361	4,488	2,815	3,564
Total Debtors	11,530	11,365	12,697	12,943
Inventories	7,961	9,135	9,987	10,619
Total Other Current Assets	1,722	1,722	1,722	1,722
Total Current Assets	25,574	26,711	27,221	28,848
Fixed Assets	11,245	10,473	10,744	9,787
Total Investments	3,103	3,271	3,457	3,660
Intangible Assets	5,384	5,384	5,384	5,384
Total Other Non-Current Assets	1,742	1,742	1,742	1,742
Total Non-current Assets	21,474	20,871	21,327	20,574
Short-term Debt	18,288	18,288	18,288	18,288
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	3,549	3,307	3,521	3,601
Other Current Liabilities	1,158	1,158	1,158	1,158
Total Current Liabilities	22,995	22,753	22,967	23,048
Total Long-term Debt	5,419	5,419	5,419	5,419
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	469	469	469	469
Total Non-current Liabilities	5,888	5,888	5,888	5,888
Total Provisions	289	289	289	289
Total Liabilities	29,172	28,930	29,145	29,225
Shareholders' Equity	16,763	17,478	18,171	18,902
Minority Interests	1,114	1,174	1,233	1,294
Total Equity	17,876	18,652	19,404	20,196

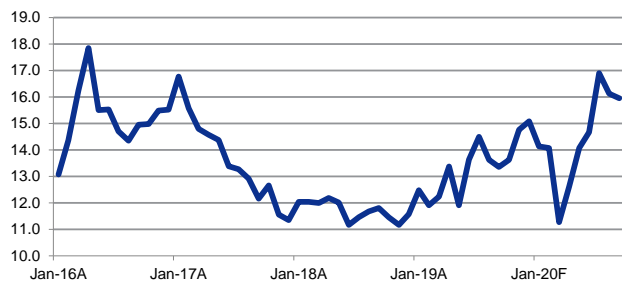
Cash Flow

(US\$m)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	2,838	3,197	3,149	3,344
Cash Flow from Inv. & Assoc.	138	0	0	0
Change In Working Capital	1,098	-1,252	-1,969	-798
(Incr)/Decr in Total Provisions	0	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	28	0	0	0
Net Interest (Paid)/Received	-407	-719	-713	-788
Tax Paid	-247	-384	-372	-415
Cashflow From Operations	3,448	842	94	1,344
Capex	-1,813	-1,200	-1,200	-1,200
Disposals Of FAs/subsidiaries	67	0	0	0
Acq. Of Subsidiaries/investments	-26	0	0	0
Other Investing Cashflow	-53	0	0	0
Cash Flow From Investing	-1,825	-1,200	-1,200	-1,200
Debt Raised/(repaid)	-541	0	0	0
Proceeds From Issue Of Shares	60	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	-555	-585	-567	-597
Preferred Dividends	0	0	0	0
Other Financing Cashflow	-162	0	0	0
Cash Flow From Financing	-1,198	-585	-567	-597
Total Cash Generated	425	-943	-1,673	-454
Free Cashflow To Equity	1,081	-358	-1,106	144
Free Cashflow To Firm	2,484	543	-205	1,045

Key Ratios

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(4.2%)	14.8%	9.3%	6.3%
Operating EBITDA Growth	16.0%	12.7%	(1.5%)	6.2%
Operating EBITDA Margin	6.66%	6.53%	5.89%	5.88%
Net Cash Per Share (US\$)	-3.02	-3.00	-3.26	-3.15
BVPS (US\$)	2.62	2.73	2.84	2.95
Gross Interest Cover	2.20	2.55	2.46	2.65
Effective Tax Rate	21.9%	22.0%	22.0%	23.0%
Net Dividend Payout Ratio	45.7%	45.0%	45.0%	45.0%
Accounts Receivables Days	36.81	33.51	33.76	34.28
Inventory Days	75.92	71.46	72.91	73.89
Accounts Payables Days	14.98	13.12	11.86	12.21
ROIC (%)	5.84%	6.58%	6.28%	6.35%
ROCE (%)	5.92%	5.86%	5.59%	5.71%
Return On Average Assets	3.76%	4.39%	4.23%	4.44%

12-mth Fwd FD P/E (x) - Wilmar International



Key Drivers

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Planted Estates (ha)	230,409	230,409	230,409	230,409
Mature Estates (ha)	194,943	194,943	194,943	194,943
FFB Yield (tonnes/ha)	21.0	21.0	21.0	21.0
FFB Output Growth (%)	5.0%	5.0%	5.0%	5.0%
CPO Price (US\$/tonne)	512	575	600	600

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	

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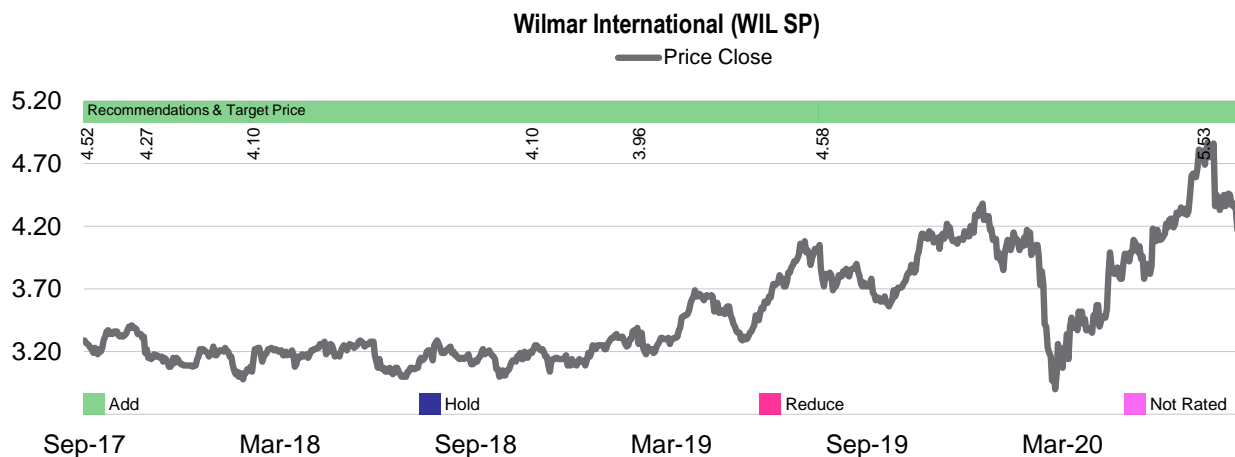
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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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