Wilmar International (WIL SP)

Integrated Business Model To Navigate The Challenging Operating Environment

Analyst(s)
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HOLD (Maintained)

Share Price	S$3.65
Target Price	S$3.80
Upside	4.1%
Previous TP	S$3.50

Highlights

- Wilmar remains cautiously optimistic despite a challenging environment. While commodity price volatility is putting pressure on margins, resilient consumer demand and healthy crushing volumes should support earnings.
- The earnings outlook is gradually improving through recovery in China's operation and the absence of regulatory fines. We believe the higher dividend reflects management's confidence in a more stable earnings trajectory.
- Maintain HOLD with a higher target price of S$3.80.

Analysis

- **Cautiously optimistic outlook amid commodity volatility.** Wilmar International (Wilmar) expressed confidence in the group's integrated business model to navigate the challenging operating environment amid the volatility in commodity prices. While the plantation segment could benefit from higher palm product prices amid El Niño, the group's earnings remain largely dependent on consumer products and tropical oils, where elevated commodity prices could pressure their input costs.
- **Soybean crushing volume remains healthy, but margins likely to soften.** China's soybean crushing activities continued to be supported by sustained robust feed demand from the hog industry. In its Sep 26 report, the United States Department of Agriculture raised its forecast for China's oilseed crush to 144m tonnes (+0.7m tonnes) in 2026/27, mainly driven by higher soybean crushing. However, rising global soybean oil prices continue to exert pressure on local crushing margins, and Wilmar expects crushing margins to soften in 2H26, although they should remain positive. Its procurement and hedging strategies should provide some cushion against high vegoils prices.
- **El Niño impact likely to emerge in 2027.** While the group initially guided for an improvement in FFB production in 2H26, the current production rate may suggest some recalibration in its initial target. This follows weaker production in August and September, reversing the positive momentum recorded in June and July. That said, we believe 4Q26 production could be the main swing factor, given the recent shift in production cycle towards year-end, while the group's reduced fertiliser application could translate into lower operating costs. Wilmar's estates in Kalimantan have experienced drier conditions in recent months, although management expects the impact of El Niño on FFB production to be felt only next year. Plantation profitability will therefore hinge on whether higher CPO prices can offset lower production.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	67,379.1	70,415.7	84,993.7	90,866.8	97,439.4
EBITDA	3,128.0	3,479.4	4,018.4	4,218.9	4,309.8
Operating profit	1,830.4	2,091.9	2,650.3	2,814.8	2,870.1
Net profit (rep./act.)	1,068.3	1,410.9	1,502.3	1,656.0	1,781.9
Net profit (adj.)	1,068.3	1,277.6	1,502.3	1,656.0	1,781.9
EPS	16.8	20.1	23.7	26.2	28.2
PE (x)	15.4	12.8	12.0	10.9	10.1
P/B (x)	1.2	1.0	1.0	1.0	1.0
EV/EBITDA (x)	15.1	14.4	12.4	11.9	11.7
Dividend yield (%)	4.4	3.8	4.4	4.6	4.9
Net margin (%)	1.6	1.8	1.8	1.8	1.8
Net debt/(cash) to equity(%)	106.9	107.3	102.7	92.2	87.3
Interest cover (x)	3.9	4.9	4.6	5.0	5.7
ROE (%)	6.0	5.8	6.7	7.2	7.6
Consensus net profit	n.a	n.a	1,557	1,720	1,696
UOBKH/Consensus (x)	n.a	n.a	0.96	0.96	1.05

Source: Wilmar International, Bloomberg, UOB Kay Hian

Stock Data

Sector	Consumer Staples
Bloomberg ticker	WIL SP
Shares issued (m)	6,243.0
Market cap (S$m)	23,371.0
Market cap (US$m)	18,247.8
3-mth avg daily t'over (US$m)	20.9

Price Performance (%)

52-week high/low				S$4.02/S$2.78
1mth	3mth	6mth	1yr	YTD
(2.7)	(1.4)	(0.5)	26.3	19.7

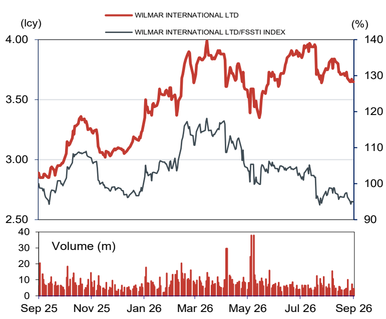
Major Shareholders (%)

Archer-Daniels-Midland Company	22.5
Kuok Brother Sdn Bhd	18.9

Balance Sheet Metrics

FY26 NAV/Share (S$)	3.5
FY26 Net Debt/Share (S$)	3.6

Price Chart



Source: Bloomberg

Company Description

Business activities include plantation, palm oil milling, refining, fractionation, biodiesel processing and kernel crushing.

- **Sugar earnings recovery likely to be gradual.** To recap, Wilmar's 1H26 earnings were dragged by a weaker performance in its sugar business due to falling sugar prices and asset impairment. Looking ahead, Wilmar expects an improvement in earnings driven by the higher sugar prices, although the recovery may lag due to its hedging positions. Global supply dynamic remains supportive of sugar prices, which have risen more than 20% from the June trough, following Brazil's lower-than-expected sugar production while market forecasters have pointed to a potential supply deficit in 2027.
- **Food products demand remains resilient, but pricing power still limited.** Despite concerns over inflationary pressures, Wilmar expects food staples demand to remain healthy in its key markets of China and India. However, intense competition in China is limiting pricing flexibility, with no near-term selling price increases planned. Management will instead focus on cost competitiveness to retain market share. In a price-sensitive market, Wilmar plans to expand its value brands offerings as it expects more consumers to shift towards these products.
- **Premiumisation and operational efficiency to drive long-term profitability.** Wilmar continues to expand into higher-margin products, including functional health foods. For its food park projects, the near-term focus is on improving occupancy and utilisation, as most facilities remain in the gestation phase. Higher utilisation should be key to improving profitability over time.
- **Legal cases unlikely to have a material earnings impact.** Wilmar recognised a US$150m provision in 2025 relating to its investment in Unity Foods, a listed company in Pakistan, where the former management is facing a criminal case over alleged financial irregularities between published accounts and internal records, as well as misappropriation of funds.
- **Dividend is the focus for shareholder returns.** Wilmar raised its 1H26 interim dividend to S$0.05 per share from S$0.04 previously. Management intends to move towards a more stable dividend profile as financial performance improves and capex commitments decline.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of S$3.80** (previously S$3.50), as we rolled forward our valuation to 2027. Our SOTP valuation implies an 11.5x 2027F PE, slightly below Wilmar's average five-year PE of 12x.

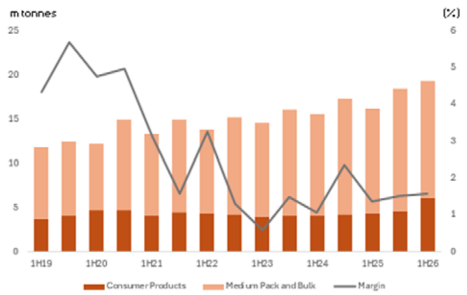
Earnings Revision/Risk

- **Maintain 2026 earnings but trim 2027 earnings by 3.5%,** as we expect the softer crushing margin to sustain into 2027 following higher global soybean oil prices, hence, reducing our margin assumption for the oilseeds business.

Share Price Catalyst

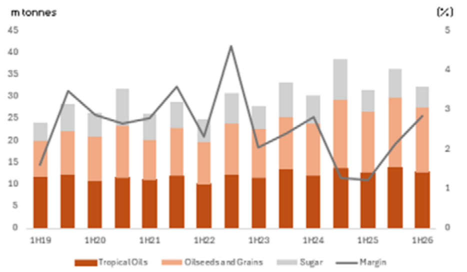
- **Greater recovery in China.** As YKA is still the largest profit contributor to Wilmar, a surprise recovery would be positive to earnings and market sentiment towards Wilmar.
- Recovery in refining margins of the tropical oil business.
- Special dividend from disposal of non-core assets or corporate exercises.

Food Products Volume



Source: UOB Kay Hian, Wilmar

Feed & Industrial Products Volume



Source: UOB Kay Hian, Wilmar

SOTP Valuation

	PE (x)	S$/share
Food Products	17	1.39
Feed & Industrial Products	11	1.60
Plantation & Sugar Milling	11	0.52
Associates & JV	10	0.29
Total		3.80

Source: UOB Kay Hian, Wilmar

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	70,416	84,994	90,867	97,439
EBITDA	3,768	4,018	4,219	4,310
Deprec. & amort.	1,388	1,368	1,404	1,440
EBIT	2,380	2,650	2,815	2,870
Total other non-op. income	288	-	-	-
Associate contributions	339	367	396	427
Net interest income/(expense)	(763)	(869)	(843)	(750)
Pre-tax profit	2,090	2,148	2,368	2,548
Tax	(533)	(533)	(587)	(632)
Minorities	(146)	(113)	(125)	(134)
Net profit	1,411	1,502	1,656	1,782
Net profit (adj.)	1,278	1,502	1,656	1,782

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	16,329	16,742	17,174	17,570
Other LT assets	13,232	12,818	12,145	11,839
Cash/ST investment	7,345	8,024	10,044	10,845
Other current assets	28,247	27,216	26,595	23,997
Total assets	65,154	65,255	66,434	67,700
ST debt	23,440	23,440	23,440	23,440
Other current liabilities	8,689	7,968	8,262	8,591
LT debt	7,359	7,559	7,759	7,959
Other LT liabilities	606	606	606	606
Shareholders' equity	21,865	22,374	22,935	23,538
Minority interest	3,196	3,309	3,433	3,567
Total liabilities & equity	65,154	65,255	66,434	67,700

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	2,897	2,334	3,522	2,344
Pre-tax profit	2,090	2,148	2,368	2,548
Tax	(533)	(533)	(587)	(632)
Deprec. & amort.	1,388	1,368	1,404	1,440
Associates	339	367	396	427
Working capital changes	587	(49)	1,334	16
Non-cash items	-	-	-	-
Other operating cashflows	(162)	(600)	(600)	(600)
Investing	(595)	(1,195)	(1,195)	(1,195)
Capex (growth)	(1,200)	(1,800)	(1,800)	(1,800)
Investment	30	30	30	30
Proceeds from sale of assets	129	129	129	129
Others	492	492	492	492
Financing	(240)	(460)	(309)	(348)
Dividend payments	(427)	(473)	(522)	(561)
Proceeds from borrowings	350	200	200	200
Loan repayment	(176)	(200)	-	-
Others/interest paid	-	-	-	-
Net cash inflow (outflow)	2,063	679	2,020	802
Beginning cash & cash equiv.	5,282	7,345	8,024	10,044
Changes due to forex impact	-	-	-	-
Ending cash & cash equiv.	7,345	8,024	10,044	10,845

Key Metric

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	4.9	4.7	4.7	4.5
Pre-tax margin	2.8	2.5	2.7	2.7
Net margin	1.8	1.8	1.9	1.9
ROA	2.0	2.3	2.5	2.6
ROE	5.8	6.7	7.2	7.6
Growth (% yoy)				
Turnover	4.5	20.7	6.9	7.2
EBITDA	6.8	6.7	5.0	2.2
Pre-tax profit	6.7	11.3	6.2	2.0
Net profit	20.6	6.5	10.2	7.6
Net profit (adj.)	1.1	17.6	10.2	7.6
EPS	1.1	17.6	10.2	7.6
Leverage				
Debt to total capital	47.3	47.5	47.0	46.4
Debt to equity	140.9	138.5	136.0	133.4
Net debt/(cash) to equity	107.3	102.7	92.2	87.3
Interest cover (x)	4.9	4.6	5.0	5.7