

29 May 2025

Agriculture | Plantation

Wilmar International (WIL SP)

Neutral (Maintained)

Eye-Opening China Site Visit

Target Price (Return): SGD3.00 (-2%)
 Price (Market Cap): SGD3.05 (USD14,790m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (SGD/USD) 18.4m/14.0m

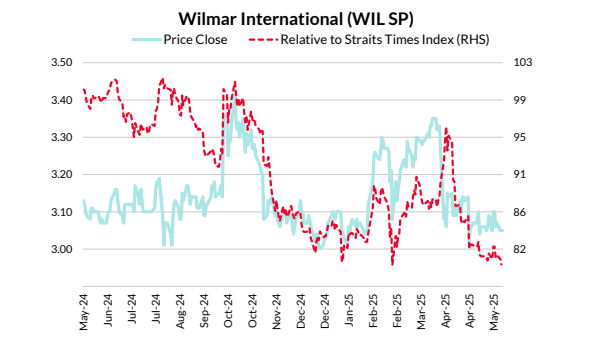
- **Maintain NEUTRAL and SGD3.00 TP, 2% downside.** We were impressed with the size and scale of Wilmar International's operations in China, and were able to get a handle on its vision of growing its footprint further via food parks. Nevertheless, as economic uncertainties remain, it could take a couple of years before this venture becomes profitable. We expect the company's valuation to remain lower than that of its China-listed peers until earnings undergo a significant turnaround.
- **Site visit to Wilmar's operations in Shanghai, Hangzhou and Kunshan.** We were impressed by the wide range of consumer goods it produces as well as the scale of operations in the different cities it is in. Wilmar, through its 90% subsidiary in China, Yihai Kerry Arawana (YKA) has a huge footprint in China, holding the No 1 or 2 spot in terms of production size in most of its products like edible oils, rice, flour, specialty fats, oleochemicals, amongst others.
- **Strategically located manufacturing complexes.** YKA's modus operandi is to build strategically located integrated manufacturing complexes processing both imported and domestically produced commodities. It currently has 81 production bases in China with 10 currently under construction. As a guide, China comprises close to 50% of Wilmar's group revenue. Its facilities are divided into three areas: i) Inland – where the crops are grown; ii) coastal – for easy access to logistics and transport; and iii) cities – populous areas for distribution. The three complexes we visited were all close to the coast.
- **We also visited two food parks** (in Hangzhou and Kunshan) which are built within or close to the existing complexes. Food parks/central kitchens are YKA's current focus of expansion - it now has six food parks while three more are under construction to be completed by year end. Based on its longer term plan, YKA intends to have 25 food parks. These food parks are industrial hubs where the entire food supply chain comes together under one roof, from refineries, mills and packing plants to food manufacturers and restaurants, making it easier to produce on a large scale and cut costs. As YKA produces a lot of the raw material needed, food park tenants can streamline their ingredient supply, share operating costs as well as take advantage of YKA's logistics and distribution capabilities to grow its businesses.
- **Overall, our trip was an enlightening one,** where we saw the scale and size of Wilmar's China operations. However, we also note that as with all large-scale operations, this food park venture is likely to take some time to become profitable. YKA's first food park in Hangzhou which started operations in May 2022 only hit breakeven utilisation a couple of years later.
- **Maintain NEUTRAL with an unchanged TP of SGD3.00,** which includes a 4% ESG premium. We make no changes to our earnings forecasts (10% YoY earnings growth for FY25F), as these food parks are yet to be profitable.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.6)	(2.9)	(5.0)	(0.3)	(2.6)
Relative	(4.5)	(5.1)	(5.0)	(4.6)	(19.6)
52-wk Price low/high (SGD)	3.00 – 3.41				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	67,155	67,379	80,380	81,533	83,677
Recurring net profit (USDm)	1,336	1,164	1,280	1,376	1,438
Recurring net profit growth (%)	(44.8)	(12.8)	9.9	7.6	4.5
Recurring P/E (x)	11.07	12.70	11.56	10.75	10.29
P/B (x)	0.8	0.8	0.7	0.7	0.7
P/CF (x)	3.81	10.78	30.23	5.17	5.54
Dividend Yield (%)	5.3	5.1	5.0	5.3	5.6
EV/EBITDA (x)	10.02	9.53	10.46	9.84	9.41
Return on average equity (%)	7.6	5.8	6.4	6.7	6.8
Net debt to equity (%)	99.1	94.8	110.4	107.4	105.5

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.7 (EXCELLENT)

S Score: 2.7 (GOOD)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

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-22	Dec-23	Dec-24	Dec-25
Scope 1	8,800,000	8,700,000	na	na
Scope 2	4,900,000	5,200,000	na	na
Scope 3	na	na	na	na
Total emissions	13,700,000	13,900,000	na	na

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 emissions reduction targets as well as to demonstrate progress of its commitment.

GHG emissions mapped out: Wilmar has made 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 Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: August 2024

E Score: 3.7 (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.

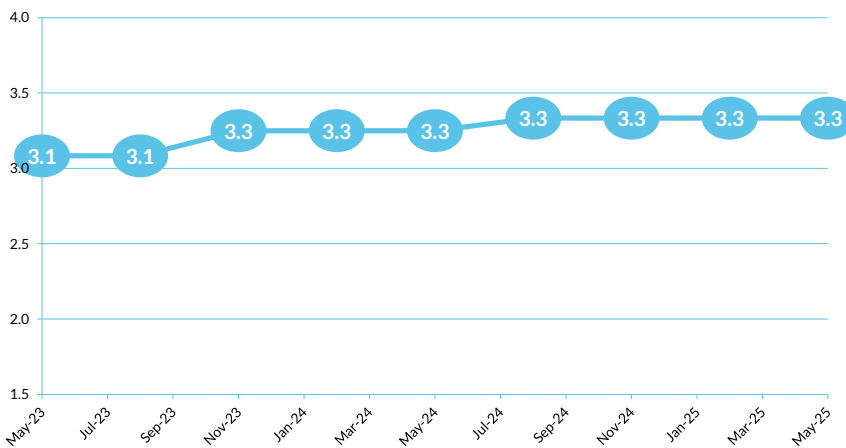
S Score: 2.7 (GOOD)

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 Score: 3.3 (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.

ESG Rating History



Source: RHB

Site visit in China

Site visit in Shanghai, Hangzhou and Kunshan. We visited Wilmar’s operations in Shanghai, Hangzhou and Kunshan recently and came away impressed by the wide range of consumer goods it produces as well as the scale of operations in the different cities it is in.

YKA’s huge China footprint. On the first day, we were brought to YKA’s headquarters, Wilmar’s 90% subsidiary in China, where we were shown the historic milestones, its wide range of customers as well as samples of all its staple products made from wheat, corn, rice, palm oil, soybeans, amongst others. YKA’s footprint in China is significant and has the No 1 or 2 spot in terms of production size in China in most of its products.

As a guide, in China, YKA is:

- i. The No 1 edible oils refiner;
- ii. The No 1 consumer and bulk pack edible oil, rice and flour producer;
- iii. The No 1 rice miller;
- iv. The No 1 specialty fats manufacturer;
- v. The No 1 oleochemical manufacturer;
- vi. The No 2 flour miller;
- vii. The No 2 oilseed crusher;
- viii. One of the largest corn and soy protein processors.

81 strategically located integrated manufacturing complexes. YKA’s modus operandi is to build strategically located integrated manufacturing complexes processing both imported and domestically produced commodities. It currently has 81 production bases in China with 10 currently under construction. As a guide, China comprises close to 50% of Wilmar’s group revenue. Its facilities are therefore divided into three areas in China: i) inland – where the crops are grown; ii) coastal – for easy access to logistics and transport; and iii) cities – populous areas suitable for distribution. As can be seen in Figure 3, a lot of its complexes are located up and down China’s coast, in order to be close to raw material sources, ports, rail systems as well as end markets. As such, besides the manufacturing plants for various commodities and consumer products, its integrated complexes situated by the coast would therefore normally have a range of facilities including a wharf, storage facilities for raw materials and warehouses for finished products. YKA is also in the midst of building central kitchens within some of these integrated complexes that would serve customers producing ready-to-eat products which can be distributed and transported out using YKA’s transport and logistics facilities.

Figure 1: YKA’s production bases in China



Figure 2: Model of integrated manufacturing complex – Taizhou



Source: Company data

Source: Company data

Wide range of consumer products. We were surprised by the wide range of consumer products YKA produces, ranging from basic staples all the way to ready-to-eat meals. YKA is also now focusing on innovations with new products focusing on health, in line with the Chinese Government’s health initiative Healthy China 2030. To that end, YKA is also now producing products which aim to lower cholesterol, has low GI, gluten-free, zero sugar, etc.

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Figure 3: YKA's range of cooking oils



Source: Company data, RHB

Figure 4: YKA's range of sauces, noodles, flour etc



Source: Company data, RHB

Figure 5: YKA's range of cleaning products



Source: Company data, RHB

Figure 6: YKA's range of ready-to-eat meals



Source: Company data, RHB

Figure 7: YKA's range of healthy products



Source: Company data, RHB

Figure 8: YKA's range of healthy products



Source: Company data, RHB

New products focus on healthy innovations. We were then brought around to see YKA's complex in Gaodong Shanghai, which produces consumer pack oil (2k tonnes per day), specialty oil (510 tonnes per day), hotel and catering-sized oil (678 tonnes per day), soybean milk (12k tonnes per year) and milk powder (10k tonnes per year), chocolate (12k tonnes per year) and oleochemicals (18,000 tonnes per year). Besides these facilities, YKA Shanghai also has a R&D centre which focuses on producing innovative new products like plant sterol (natural product aimed at reducing cholesterol), DAG (diglyceride oils – aimed at reducing blood lipids and reduce body fat accumulation) and wheat germ (high content of vitamins, minerals, and fibre and contributes to heart health), amongst others. Health food in China is a CNY90trn market and YKA is poised to benefit from the growth in demand for healthy food products in the country. We highlight that YKA's products are catered almost entirely to the domestic market, with 95% of goods consumed in China.

Figure 9: YKA's R&D centre in Shanghai Complex



Source: Company data, RHB

Figure 10: YKA's silos



Source: Company data, RHB

Figure 11: YKA's Shanghai consumer pack oils packing plant



Source: Company data, RHB

Figure 12: YKA's Shanghai consumer pack oils plant



Source: Company data, RHB

Visiting Hangzhou, YKA's first food park. On the second day, we were taken to Hangzhou, the capital of Zhejiang province, a two-hour drive from Shanghai, to visit YKA's Hangzhou integrated manufacturing plant and food park and central kitchen. Food parks/central kitchens are YKA's focus of expansion currently, as it plans on building these in most of its major integrated complexes in the future. Currently, it has six food parks in Hangzhou, Zhoukou Chongqin, Xingping, Shenyang and Langfang. Three more are under construction at Kunshan, Huai'an and Guangzhou, to be completed by year end. Based on its longer term plan, YKA intends to have a total of 25 food parks all over China.

Figure 13: YKA's WKitchen Food Park roadmap



Source: Company data

Figure 14: Layout of YKA's Hangzhou Food Park



Source: Company data

Figure 15: YKA's WKitchen Food Park business model



Source: Company data

Figure 16: YKA's Hangzhou Food Park



Source: Company data, RHB

What are food parks? YKA's food parks are industrial hubs where the entire food supply chain comes together under one roof, from refineries, mills and packing plants to food manufacturers and restaurants, making it easier to produce on a large scale and cut costs. As YKA also produces a lot of the raw material needed, this will mean the food park tenants can streamline their ingredient supply as well as take advantage of YKA's existing logistics and distribution capabilities. In China, competition is extremely keen for food providers and restaurants, which, together with the high cost of rental and labour, and difficulty in recruiting and retaining good chefs – make it more important to achieve profitability through economies of scale, cost reduction and stability of food offerings by establishing central kitchens. However, setting up an own-use central kitchen is mostly unprofitable due to high investment costs and the difficulty in securing suitable land. This is where YKA comes in, as a lot of its existing manufacturing complexes have spare land within the complex – which have been set aside for this purpose. These parks operate with an open-concept approach where external tenants can rent storage, set up their own processing areas, and run their central kitchens. They also share resources like R&D labs, boilers, waste management, and procurement, which boosts efficiency and cuts costs. Besides this, these businesses would also be able to grow alongside YKA into other regions, as they would be able to expand as YKA builds new food

parks in other regions with minimal capex and operating expenses. In terms of capex, each food park is estimated to cost CNY1-2bn each. Typically, tenancy agreements with YKA for the central kitchens would be for a three to five-year period.

YKA's own central kitchen - WKitchen. YKA also has their own brand of central kitchens - WKitchen within their food parks, which produces student meals for schools, bento lunch boxes, microwaveable dishes, seasoning sauces, hot pot bases, and a variety of rice and noodle dishes. According to a report by Statista, the ready-to-eat meals market in China [is estimated at USD66.5bn in 2025 and is expected to grow at a 5-year CAGR of 5.84% to 2030](#). As food parks are a relatively new venture for YKA (first food park in Hangzhou started operating in May 2022), they are still not contributing profitably yet. We understand in order to breakeven, the food park needs to be at least 60-70% tenanted. The Hangzhou Food Park is 132k sq m in size and is currently 80-90% occupied, producing 40 tonnes of packed food per day.

Figure 17: Wharf in front of Hangzhou Food Park



Source: RHB

Figure 18: Monitoring output from Hangzhou Food Park



Source: Company data, RHB

Figure 19: WKitchen's ready-to-eat food samples



Source: RHB

Figure 20: WKitchen's ready-to-eat food sampling preparation



Source: RHB

Kunshan – a massive complex built in four phases. On the last day, we travelled about two hours from Hangzhou to Kunshan, which is in Suzhou province. YKA's Kunshan complex was built at a cost of USD637m and sits on an area of 342k sqm. This complex was built in three phases and also has a new food park which was recently completed:

- i. Phase 1 – 95.6k sqm – flour milling, dry noodle, premixes, Kellogg's products and tea;
- ii. Phase 2 – 108.2k sqm – dry noodle, fresh noodle, frozen cake, logistics;
- iii. Phase 3 – 20k sqm – syrup and sesame oil
- iv. Food Park- 118.7k sqm

Figure 21: Layout of Kunshan Complex



Source: Company data

Figure 22: Phase 1 of Kunshan Complex



Source: Company data

Figure 23: Phase 2 of Kunshan Complex



Source: Company data

Figure 24: Phase 3 of Kunshan Complex



Source: Company data

Utilisation of plants in different phases varies. For products produced in Phase 1 of the complex, utilisation rate of its products are high, at 80-100%. Even for its noodle and pasta products produced in Phase 2 of the complex, utilisation rate is relatively high at 60-100%. Some of these capacities will be expanded in 2025F-2026F, including its fresh noodle and pasta operations in Phase 2. However, utilisation for its newer projects in Phase 2 like frozen cake however, is only at 15% currently. For Phase 3 – which has been in operation for two years, its syrup capacity utilisation is currently at 50%, while its sesame processing is running at 35% currently.

Plants all heavily mechanised. We were brought to see the flour packing plant, the pasta/noodle making plant, the frozen cake plant and the sesame processing plant. We noticed all the plants are heavily mechanised, with not a lot of ground operators except for the areas where packing is done. What amazed us was the wide array of products YKA produces, truly serving every aspect of food for every consumer ranging from raw ingredients like rice, flour, oil etc, to mid-range ingredients like sauces, noodles, syrups etc to ready-to-eat-foods like potato chips, frozen cakes, ready to eat bento boxes etc.

Figure 25: Flour milling plant



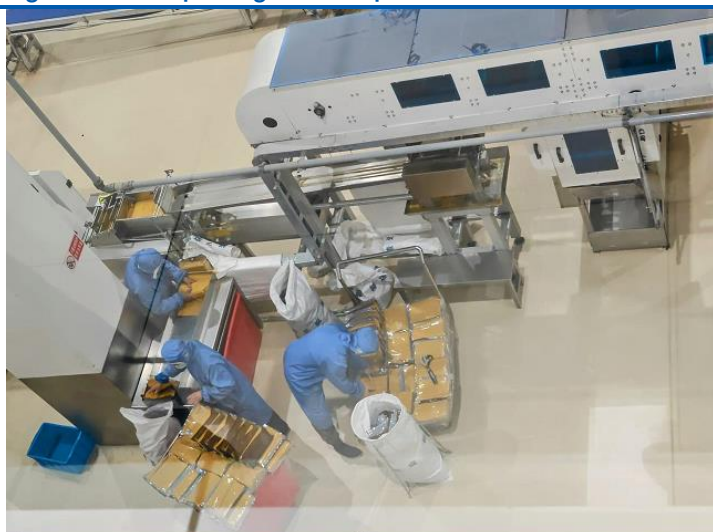
Source: Company data, RHB

Figure 26: Sesame oil collection



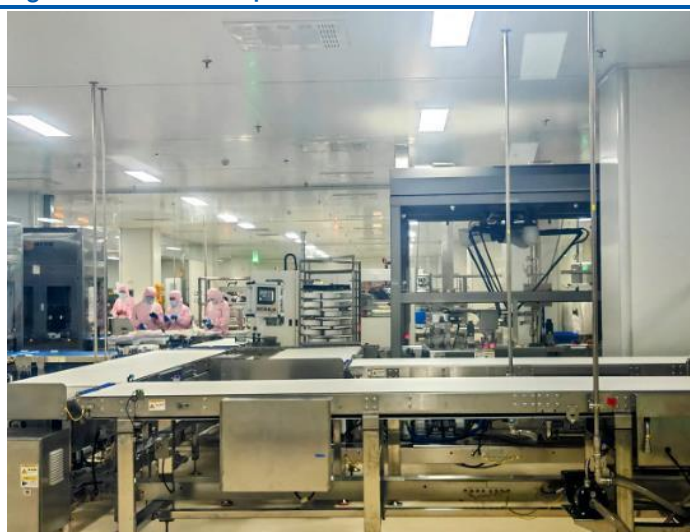
Source: Company data, RHB

Figure 27: Pasta packing in noodle plant



Source: Company data, RHB

Figure 28: Frozen cake plant



Source: Company data, RHB

Newly completed huge Food Park in Kunshan. Our next stop was the newly completed food park, which was not within the same complex, but located just a few minutes away. This food park has not started operating yet as it is awaiting some licences from the Government before it can commence operations – which it hopes to receive in 2-3 months. This food park consists of six buildings, comprising three processing plants and three warehouses. Approximately 60-70% of the space will be tenanted to third parties while the remaining area is for its own usage – for its in-house WKitchen. While it has yet to start operating, 20 tenants have already locked in, out of its target of 50 tenants. Among the tenants that have locked in are big names in the food industry, including the likes of Muyuan Foodstuff (one of the largest pork producers in the world), Duria (Malaysian durian product manufacturer), EB (Malaysian frozen seafood producer), Le Fromager de Pekin (dairy products producer), Zhen Zao (youtiao producer), Thankcome (probiotics), Hou Zhen (Japanese BBQ chain producer). This food park is five times the size of the Hangzhou Food Park. Once it obtains the necessary licences, YKA estimates 80% of the tenants can already start operations by end-2025. According to YKA, once full production starts, it expects the annual output value from this food park to reach CNY5bn (c.USD700m).

Figure 29: Food park specifications



Source: Company data

Figure 30: Food park in Kunshan



Source: Company data, RHB

Figure 31: Some of Kunshan Food Park tenants



Source: Company data, RHB

Figure 32: Food park in Kunshan



Source: Company data, RHB

Summary and conclusion

Overall, our trip was an enlightening one, where we saw the scale and size of Wilmar’s China operations. We were able to grasp the synergies it is able to achieve with its new food parks being built alongside its integrated manufacturing complexes which allows YKA’s customers to source raw materials easily, share operating costs and utilise YKA’s transport, logistics and distribution systems to grow its businesses. We met a customer that has already seen the benefits of this strategy – it is able to expand geographically as YKA expands its food park operations, opening a central kitchen in each of YKA’s locations.

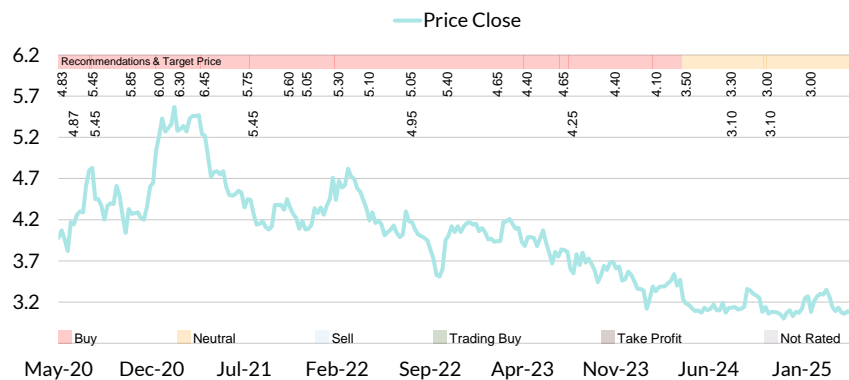
Profit from food parks may take some time to be realised. While we acknowledge the size and scale of these operations, we also note that as with all large-scale operations, this venture is likely to take some time to become profitable – once it does, it should be able to contribute meaningfully. We highlight that YKA’s first food park in Hangzhou which started operations in May 2022 only hit breakeven utilisation a couple of years later. Wilmar has slowed down its original plan of food park expansion in light of the current economic environment – initially it had planned to have 11 food parks by end 2025, and this has now been brought down to nine. Plans for 2026 have yet to be firmed up, although its longer term target of 25 is still intact. We make no changes to our earnings forecasts for now.

Figure 33: SOP valuation

SOP valuation	Value (USDm)	Valuation basis
Plantation and sugar milling	3,789	12x FY25F P/E
Consumer products	4,499	12x blended FY25F P/E
Feed and industrial products	5,872	10x blended FY25F P/E
Others	21	DCF: Ce 7.7%, Rf 4%, Beta 1.0, Rm 7.7%, TG 0%
JV & associates	1,976	0.5x P/BV
SOP value	16,156	
Value per share (USD)	2.59	
Exchange rate	1.32	
Conglomerate discount	-15%	
ESG premium/(discount)	4.00%	
SOP TP	3.02	

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-23	Neutral	3.00	3.08
2024-11-11	Neutral	3.10	3.09
2024-11-03	Neutral	3.00	3.08
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

Source: RHB, Bloomberg

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