

# Broker's take: Maybank KE upgrades Wilmar to 'buy', lowers TP on palm oil uncertainty

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🕒 WED, MAY 13, 2020 - 12:55 PM | 🔄 UPDATED WED, MAY 13, 2020 - 12:57 PM

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MAYBANK Kim Eng has upgraded Wilmar International to "buy" but lowered its target price (TP) to S\$4.12 from S\$4.37 for the agri-business group to largely reflect uncertainty in palm oil and further investment volatility.

Wilmar shares were trading S\$0.15 or 3.9 per cent higher at S\$3.97 as at the mid-day break on Wednesday.

As China - which Wilmar derives nearly 60 per cent of its revenue from - starts to open up following the Covid-19 lockdowns, volume momentum should pick up, said analyst Thilan Wickramasinghe in a research note dated Tuesday.

The group's food staples portfolio, wide nationwide distribution, and competitive pricing for input commodities should also drive advantages in margins and market share, he added.

Moreover, the potential listing of Wilmar's China business in Shenzhen in the second half of 2020 may also be an upside catalyst. The group's China-listed peers trade at a 75 per cent price-to-earnings premium even in current market conditions.

That said, palm oil may see some pressure given the weaker bio-diesel demand from low crude oil prices and import restrictions in some countries. Hence, Maybank Kim Eng has lowered the segment's 2020-2021 estimates by 9 per cent to 20 per cent.