

Olam looking to expand by acquiring firms

SINGAPORE-BASED agriculture products supplier, Olam International, plans to start new businesses and acquire companies which would contribute about 40 per cent of revenue growth in the next six years.

The company, which supplies ingredients to some of the world's top food firms like Nestle, has bought eight companies in the last 15 months but refused to comment on talk that it plans to bid for Australia's Dairy Farmers.

The Australian milk and cheese producer is owned by some 2,000 local farmers and put itself up for sale in February.

It has received an offer from Australia's dairy and juice producer National Foods, owned by Japanese brewer Kirin Holdings, that values the firm at US\$920 million.

"Our acquisition guideline is to make acquisitions not larger than 10 per cent of our market capitalisation. But that doesn't mean we would not go for a bigger target," Olam chief executive Sunny George Verghese told Reuters in an interview last Friday.

Mr Verghese said the company's recent plan for a \$307 million preferential share sale would allow it to raise up to \$1.6 billion in new debt which could then be used for acquisitions and funding of the existing business.

He said the US\$2.8 billion company, that aims to deliver compound annual growth of up to 20 per cent in revenue and up to 30 per cent in net profit, would be comfortable with a net gearing of five times, which would mean about \$4.5 billion in total debt.

Olam would make acquisitions in countries where the regulatory environment makes organic growth difficult and go to large countries, like China, where it expects opportunities from deregulation. - Reuters