



# Olam International Limited

## Acquisition of 100% of Key Foods Ingredients Group

27 August 2007

Singapore



The Brand Behind The Brands

## Forward looking statements

*This presentation may contain statements regarding the business of Olam International Limited ('Olam') and its subsidiaries ('Group') and Key Foods Ingredients LLC ('KFI') that are of a forward looking nature and are therefore based on management's assumptions about future developments.*

*Such forward looking statements are intended to be identified by words such as 'believe', 'estimate', 'intend', 'may', 'will', 'expect', and 'project' and similar expressions as they relate to the Group and KFI. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.*

*Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.*

# Presenters

**Sunny Verghese**

**Group Managing Director & CEO, Olam**

**Anthony Cummins**

**President and COO, Key Foods**

**Shekhar Anantharaman**

**Senior Managing Director, Olam**

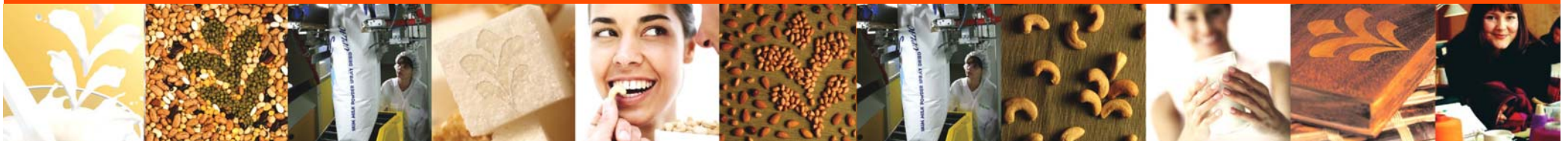
**Ashok Krishen**

**Managing Director, Olam Spice Business**



# Presentation Outline

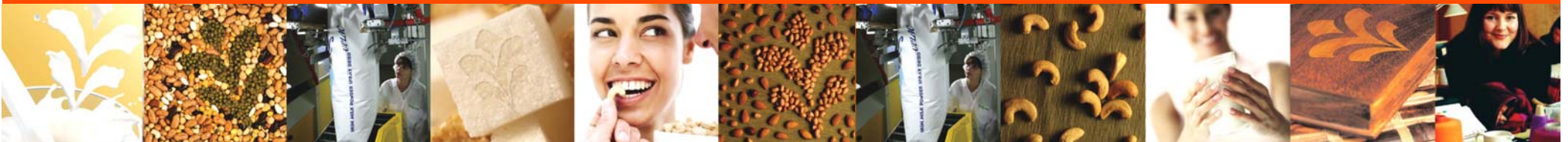
- ❖ Transaction Overview
- ❖ Overview of Key Foods Ingredients (KFI)
- ❖ Industry Overview
- ❖ Investment Rationale
- ❖ Growth and Synergy
- ❖ Q & A





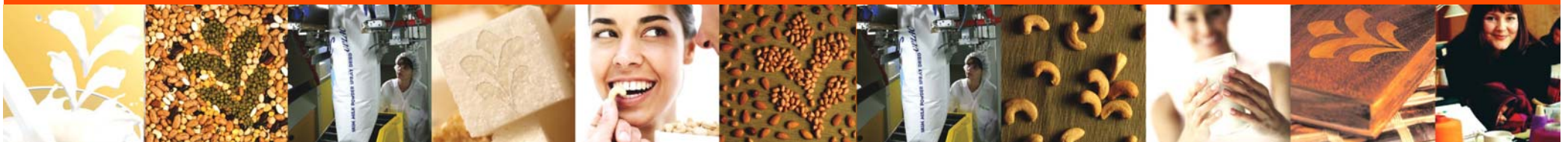
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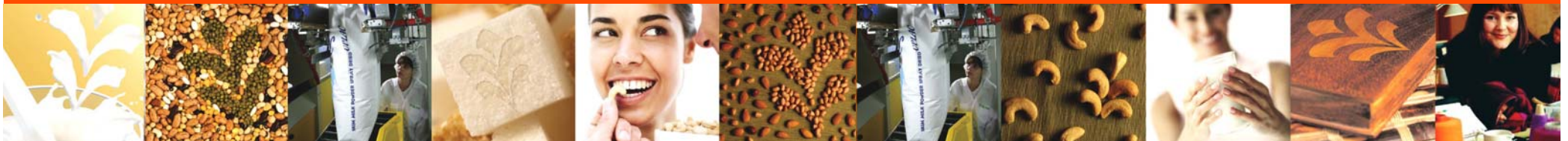
# Transaction Overview

|                      |  |
|----------------------|--|
| <b>Transaction</b>   | <ul style="list-style-type: none"> <li>▪ Acquisition of 100% of Key Foods Ingredients (KFI Group)</li> <li>▪ Intrinsic value / Investment value far exceeds threshold of 1.35X</li> <li>▪ EV / EBITDA at 4.7x and PE of 5.5x</li> <li>▪ Transaction is earnings and value accretive from first year</li> </ul> |
| <b>Consideration</b> | <ul style="list-style-type: none"> <li>▪ Enterprise value of US\$16 mn &amp; Equity value of US\$12 mn</li> </ul>  |
| <b>Payment mode</b>  | <ul style="list-style-type: none"> <li>▪ 100% cash transaction with customary escrow arrangements</li> </ul>   |
| <b>Financing</b>     | <ul style="list-style-type: none"> <li>▪ Internal accruals</li> </ul>  |
| <b>Closing</b>       | <ul style="list-style-type: none"> <li>▪ Expected to be completed by 30 September 2007</li> <li>▪ Subject to regulatory approvals and closing conditions</li> </ul>  |



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## Background of Key Foods Ingredients

- ❖ Started in 1993 as a Qingdao-based dehydrated garlic processing operation supplying to one US customer
- ❖ Commenced a US marketing operation in 1995, supplying dehydrated garlic directly to other customers in US
- ❖ One of the pioneers in enabling acceptance of Chinese dehydrated garlic ingredients in the US Industry
- ❖ Private equity investment in 2004
- ❖ Today, KFI has approximately 10% of US market share for Dehydrated Garlic Ingredients (approx 20% of dehydrated garlic ingredients from China into the US )
- ❖ China dehydrated garlic exports today account for 45% of US consumption



# Overview of KFI's operations

## ❖ Operations comprise:

- Dehydrates ingredients **manufacturing** in Qingdao, China
  - Dehydrated garlic - 80% of sales
  - Dehydrated onions - 15% of sales
  - Dehydrated vegetables - 5% of sales
- **Marketing** Office in Pasadena, California
  - Strong and established **customer franchise** in the US

## ❖ Superior cleaning and dehydration **technology**

## ❖ 300 employees led by **US Industry veteran** with over 25 years of experience

# State-of-the-Art Ingredient Manufacturing Facility, Qingdao



Garlic Cleaning Room



Raw Materials



Washing and Drying



- Facility approved for Food safety and Hygiene by major US customers
- Regularly audited by the larger customers for compliance

## **KFI: Customer segments**

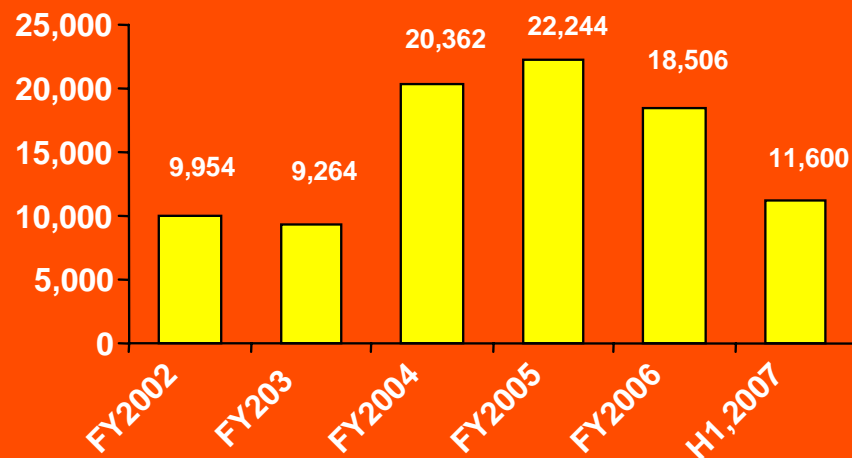
- ❖ **Spice packers**
- ❖ **Blenders**
- ❖ **Processors**
- ❖ **Nutraceutical manufacturers**
- ❖ **Food service segment**

**85% of total sales to the US;  
Balance 15% to Europe and Australia**

# KFI - Key Historical Performance Metrics

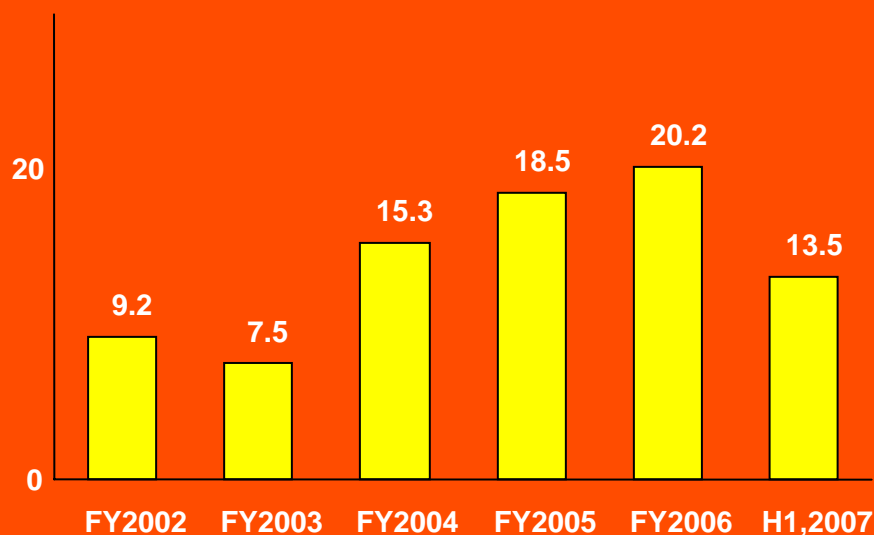
## Sales Volume

Pounds ('000)



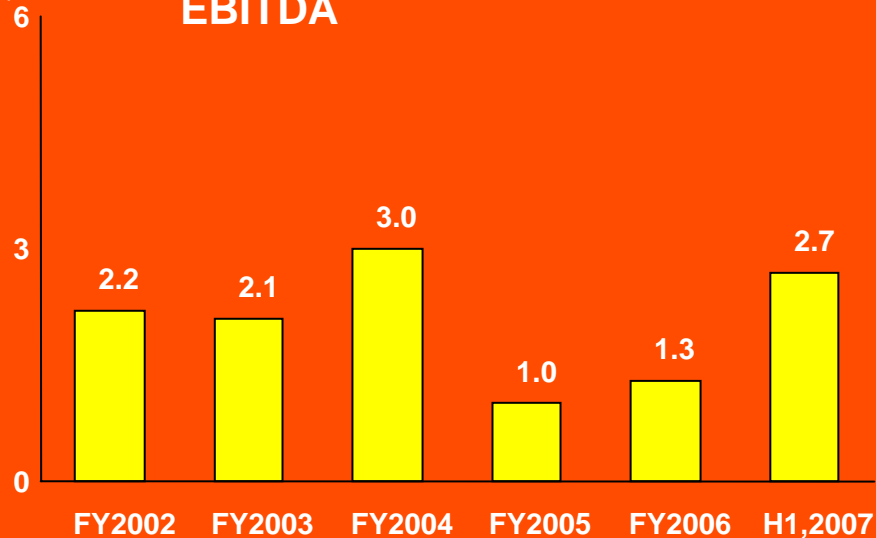
## Revenue

US\$m



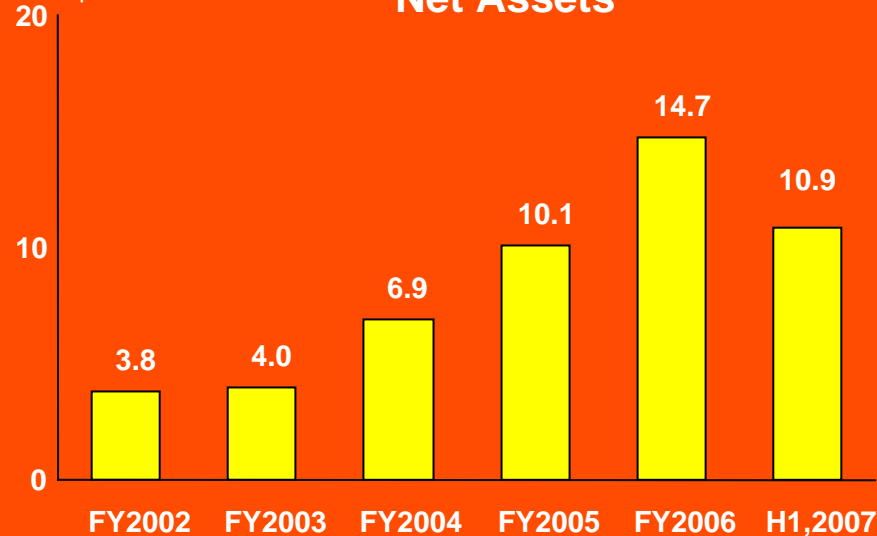
## EBITDA

US\$m



## Net Assets

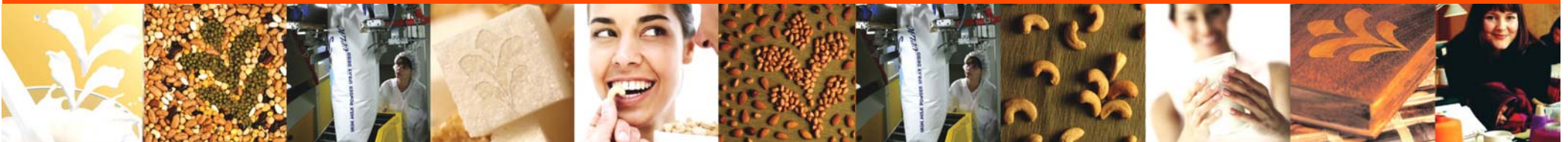
US\$m



KFI Financial Year same as Calendar Year

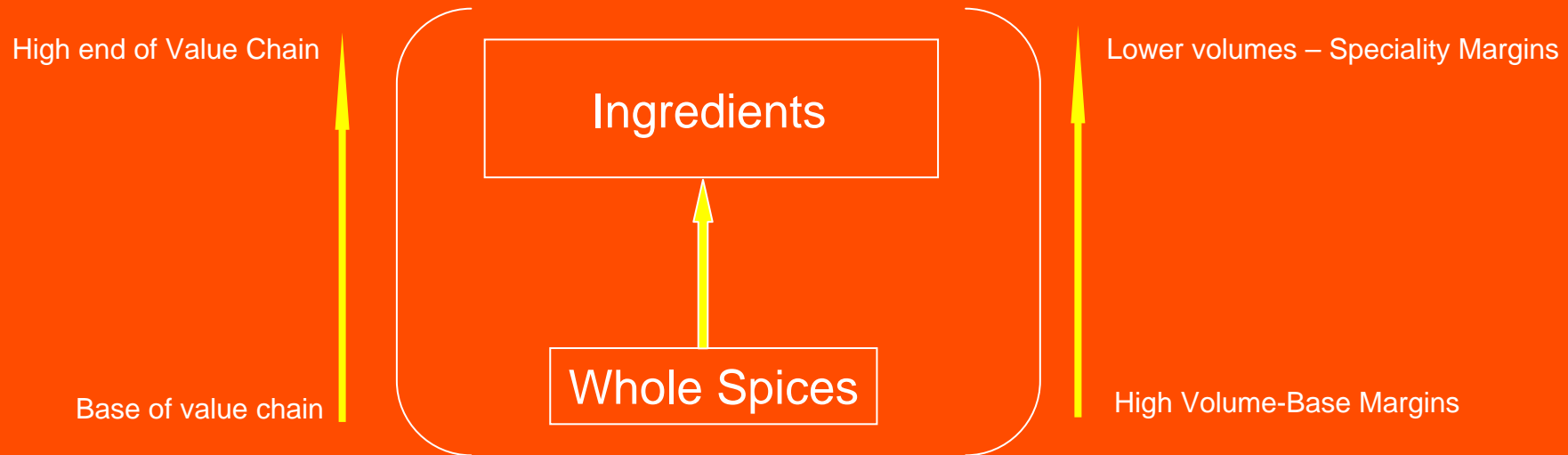
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# Industry overview – Spices Value Chain



- **Whole spices**

- Comprises of tropical spices, seeds and herbs (Pepper, Ginger, Cinnamon etc)
- Fragmented Trade flow - multiple products / origins / markets

- **Ingredients**

- Comprise of Dehydrates; Spice grinds; Oleo resins and Oil forms
- Used in seasonings, coatings and condiments by the food processing industry

## Industry overview – Dehydrated Ingredients Market

| Ingredient Categories | Volume<br>(Lbs mn) | Value<br>(US\$ mn) |
|-----------------------|--------------------|--------------------|
| Garlic                | 200                | 240                |
| Onions                | 600                | 660                |
| Vegetables            | 120                | 210                |
| Capsicum              | 100                | 115                |
| <b>Total</b>          | <b>1,020</b>       | <b>1,225</b>       |

**Note:**

- Estimates based on internal management sources
- Does not include fair, average quality ‘commodity’ grades
- Estimates of demand from major markets in US, Europe and Oceania only. Does not include small markets which are predominantly FAQ markets
- Consumption growth rate estimated at 7- 8% per annum

# Dehydrates origins and markets

Key producing origins are (Olam's presence highlighted):

- ❖ Garlic : **China, US**
- ❖ Onions : **US, Egypt, China, India**
- ❖ Vegetables : **China, Chile, US, Israel, Poland, Spain**
- ❖ Capsicum : **Peru, Spain, US, Morocco, South Africa, China**

Key markets are (Olam's presence highlighted):

- ❖ **US : 75%**
- ❖ **EU : 15%**
- ❖ **Australia : 7%**
- ❖ **Japan : 3%**
- ❖ Likely Future growth markets: **Brazil, Russia, China, India**

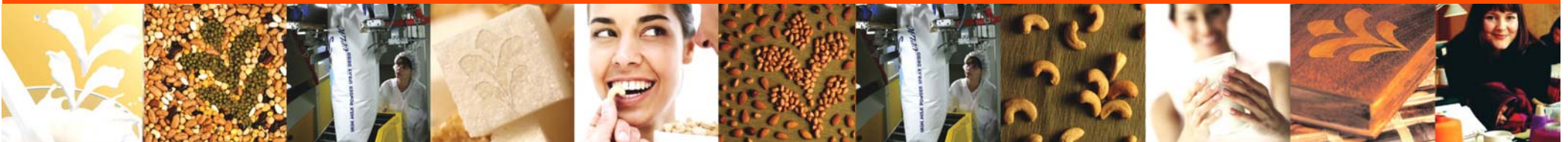
# Paradigm shift in US dehydrated garlic market

- ✿ Until 1995, US was global supplier to world markets
- ✿ Post 1995:
  - ✿ Potential labour/material cost arbitrage discovery
  - ✿ Consolidation in US industry
  - ✿ Evolution of manufacturing quality in China and acceptability by US consumers
- ✿ Growth in US market share for Chinese dehydrated garlic:
  - ✿ 1995 – 15% share of US demand \*
  - ✿ 2004 – 42% share of US demand \*
  - ✿ 2006 – Estimated 45% share of US demand

*\* Source : US Department of Commerce*

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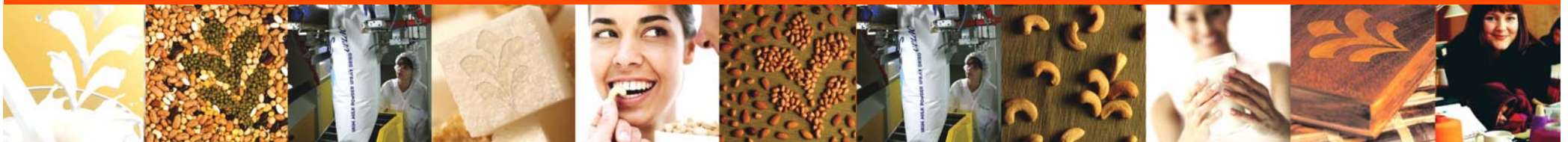




# Strategic and business fit with Olam's Spices business

Consistent  
with our  
spices  
growth  
strategy

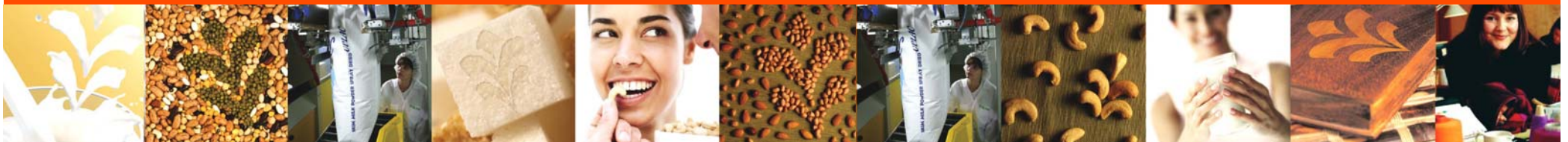
- Entry into dehydrates is a part of strategic plan to grow our Spices business and expand our presence across the value chain
- Acquisition will accelerate our move from being a whole spices supplier to becoming a value added ingredient supplier catering to specialized requirements of the spice processing industry
- Acquisition enhances Olam Spices presence in the US significantly, which remains the largest and most important spices market in the world.
- Finally, the acquisition provides an accelerated entry into other Dehydrated Ingredients, where Olam can leverage its existing presence in most of the major origins/markets



# Established Leadership position

**KFI is one of the top 3 suppliers of dehydrated garlic ingredients into the US Industry**

- KFI is one of the **largest producers** of dehydrated garlic in China, with an **established reputation for quality**
- An **important supplier** to global leaders in the **spices, flavour and fragrances, ingredients** and consumer staples segment
- Has significant scope to **grow market share in US** and the rest of the world



# Accelerated entry into new market, with significant potential for future growth

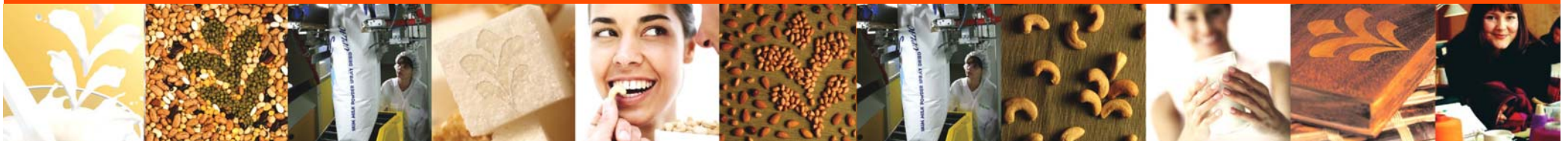
Consistent  
with our  
M&A  
policy

- KFI provides Olam accelerated access into a new value chain adjacency – value-added spices ingredient manufacturing
- Consistent with our “string-of-pearls” approach
- Acquire controlling stake
- Acquisition is both earnings and value accretive from the first year
- Significant potential for profitable growth



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# Growth

- ❖ Ingredient manufacturing in China:
  - ❖ Maximize share in garlic to Olam/KFI's current customers and markets
  - ❖ Expand to include other dehydrates from China
- ❖ Ingredient manufacturing in other origins:
  - ❖ Ingredient manufacturing of onion and other dehydrates in other origins such as India
- ❖ Enlarged portfolio for new untapped food service market segment



# Synergy

- ✿ Cross selling opportunities:

- ✿ Sale of KFI's products to Olam markets outside the US and vice versa

- ✿ Olam's presence in key origins:

- ✿ Olam presence in 7 out of 11 major producing origins for most dehydrates unlocks substantial potential for growth

- ✿ Port Logistics and overheads:

- ✿ Sharing of resources due to proximity to Olam's peanut processing factory in Qingdao

# Business Forecast

**Sales Quantity ('000 Lbs)**

| 2007F  | 2008F  | 2009F  | 2010F  | 2011F  |
|--------|--------|--------|--------|--------|
| 28,432 | 35,438 | 43,430 | 49,023 | 56,768 |

**Sales Revenue (USD '000)**

| 2007F  | 2008F  | 2009F  | 2010F  | 2011F  |
|--------|--------|--------|--------|--------|
| 31,261 | 42,066 | 53,736 | 62,952 | 75,689 |

**EBITDA (USD '000)**

| 2007F | 2008F | 2009F | 2010F | 2011F |
|-------|-------|-------|-------|-------|
| 3,427 | 4,638 | 5,799 | 6,563 | 7,652 |

**Note - Forecasts cover only dehydrated garlic business plans out of China**

# Summary

- ❖ Olam to acquire 100% stake in KFI Group for US\$16 mn
- ❖ KFI is one of the largest producers of dehydrated garlic ingredients in China with 10% market share in the US
- ❖ Transaction fits well with Olam's spices strategy and its M&A policy
- ❖ Olam-KFI combination offers substantial significant synergy value:
  - ❖ Cross-selling of products in respective markets
  - ❖ Expanding combined franchise and enlarged portfolio to new markets
  - ❖ Processing capabilities can be applied to other dehydrates
  - ❖ Sharing of resources for operational synergies
- ❖ Transaction will be earnings and value accretive from the first year with strong growth prospects



Fresh Garlic



Garlic Fields in China

## Thank You Q&A



Pasadena, California



KFI Qingdao, China Admin Building