



Acquisition of Tomato Processing Assets in California

26 June 2009 | Singapore



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Presentation Outline

- ✿ Transaction Overview
- ✿ Industry Overview
- ✿ Overview of Assets
- ✿ Investment Rationale and Strategic Fit
- ✿ Financial Impact
- ✿ Q&A

Transaction Overview



Transaction Overview

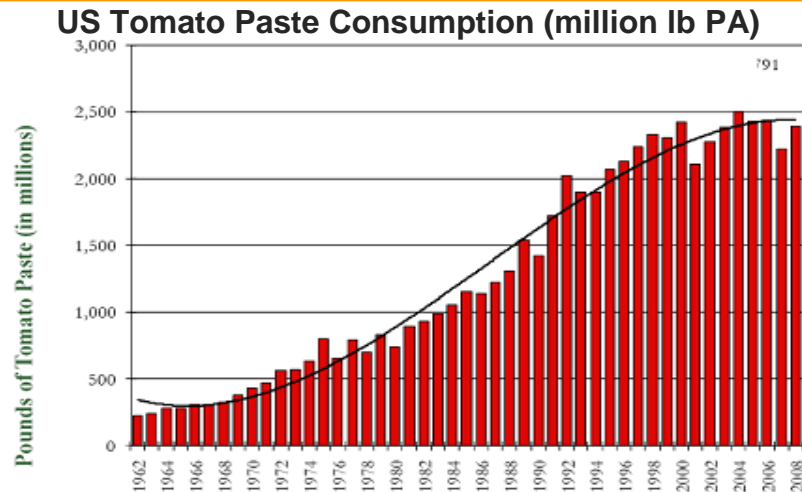
Transaction	<ul style="list-style-type: none">Acquisition of tomato processing assets of SK Foods & RHM Industrial through a bankruptcy court auction process in California
Consideration	<ul style="list-style-type: none">Transaction valued at US\$39 million
Financing	<ul style="list-style-type: none">All cash transactionFully funded through internal accruals and borrowings
Closing	<ul style="list-style-type: none">Transaction expected to close by 10 July 2009

Industry Overview



USA: One of the world's largest tomato growers, processors, consumers & exporters

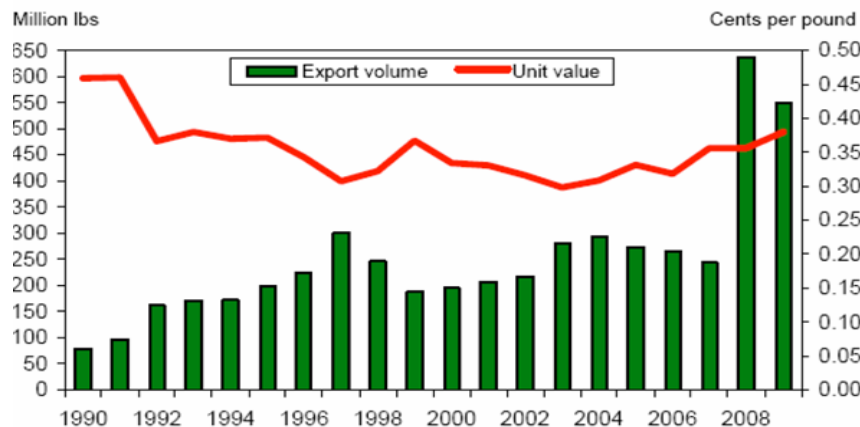
Large, growing consumer of tomatoes



- California produces around **2.5 billion pounds of tomato paste** (95% of US production) with a market value in excess of **US\$ 1 billion**
- Consumption has grown dramatically to reach **2.4 billion pounds in 2008**

Likely growth in exports

U.S. tomato paste: Export volume and unit value, 1990-2009



Sources: Derived by ERS from data of U.S. Dept. of Commerce, U.S. Census Bureau.
Source: World Processing Tomato Council, June 2008, US dept of Commerce

- Traditionally, US has exported between 10-15% of its paste production
- There has been a big jump in US exports over the last two years, on account of a weaker dollar and shortfall in other producing countries.
- With expected decoupling of European subsidies, it is expected that US will gain a larger share of the export market

Consolidated domestic industry with a stable and efficient supply of raw material

Consolidated Industry

- ❖ Highly concentrated industry with **75-80% of the US market share accounted for by 5 processors**
- ❖ Highly **capital intensive**
- ❖ **Strong linkage** between growers and processors
- ❖ Well **developed and diversified consumption segments** and **strong customer interface**
- ❖ **All resulting in major barriers to entry**

Stable supply for tomato processors

- ❖ Tomato farming provides **attractive margins for the growers**
- ❖ **Efficient water usage** and **high yields on drip irrigation** as compared to other crops

Overview of Assets



The Assets: **An Overview**

- ✦ SK Foods, who owned these assets previously, has been a leading supplier of processed vegetable products including aseptic bulk tomato paste, diced and canned products.
 - ✦ A wide range of products and packaging catering to different industrial, food service and retail customer segments. **In 2008, SKF had a market share of 14% in US and was ranked 2nd amongst the US tomato processors and in the top 5 globally.**
 - ✦ **More than 30% supply of organic processing** tomato acreage in California
 - ✦ **Well established customer base including branded majors such as General Mills, Kraft, Campbell's, and Ralcorp**
- ✦ Assets include 2 plants spread over an area of 124 acres, strategically located in California's key tomato producing regions
 - ✦ Combined **capacity of approx 1.5 million tons of processing tomatoes**

The Assets: **Strategically located**

- ❖ **Lemoore plant: Modern and well equipped plant** with one million tons of paste capacity located in the San Joaquin Valley, California
 - ❖ Has physical proximity and **access to growing areas producing approx. 6 million tons** of tomatoes
- ❖ **Colusa Plant** (RHM Industrial): located at Williams in the Sacramento Valley, California, with 0.55 million tons of paste capacity
 - ❖ Has **access to approx. 2.5 million tons** of tomatoes in the vicinity
- ❖ Both plants can produce organic and conventional products



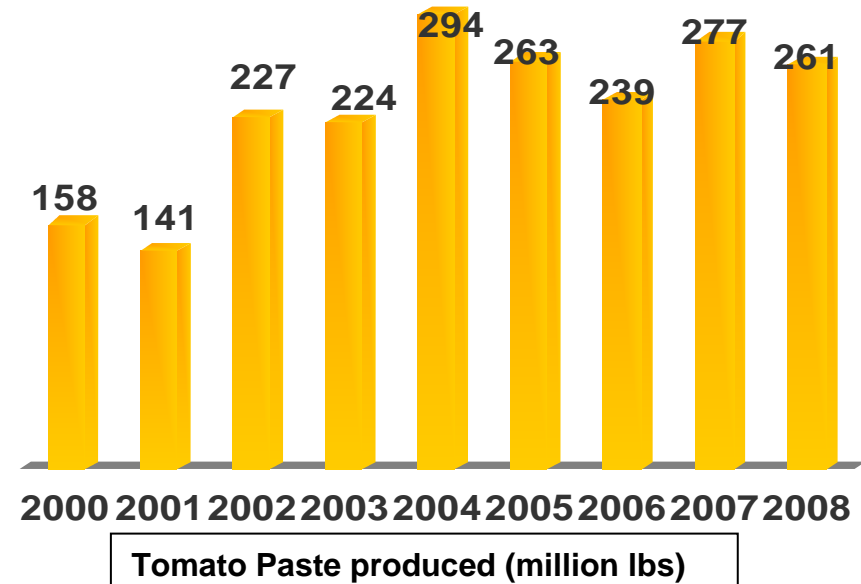
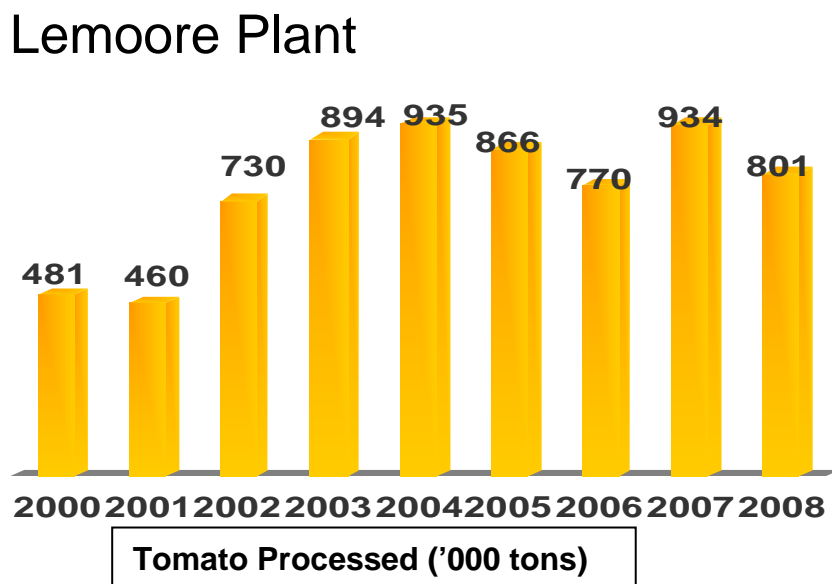
Lemoore plant, San Joaquin Valley



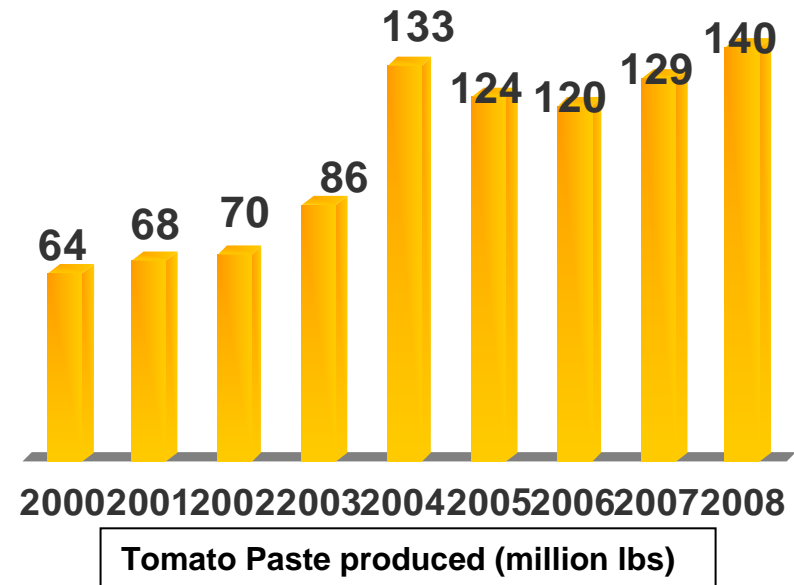
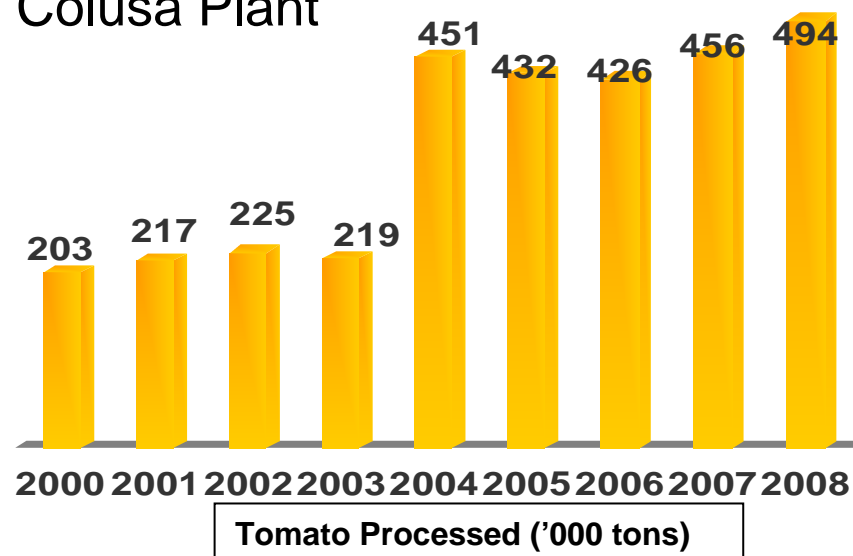
Colusa plant, Williams, Sacramento Valley

Tomato processing and Tomato paste production

Lemoore Plant



Colusa Plant





**Investment
Rationale**

Investment Rationale

1-step adjacency expansion in the Spices Dehydrates business

- ❖ **Customer sharing:** Enlarge Olam's basket of spices and dehydrates offered to our food manufacturing, flavours and seasonings customers (who are today buying dehydrated Garlic, Onions, Whole & Ground Pepper, Sesame and other ingredients from Olam)
- ❖ **Channel sharing:** Large overlap between growers for Cotton, Onions and Almonds and Processing Tomatoes in California
- ❖ **Cost sharing:** Through consolidation of functional (shipping, logistics, financial/accounting, marketing administrative) and management teams across our Cotton, Dehydrates, Almonds and now Tomato paste manufacturing operations in California

Attractive market opportunity

- ❖ Entry into a US\$1b tomato processing industry in the US that offers attractive margins for supply chain managers
- ❖ Global industry growing at 3% p.a. or approx. an incremental 1 million tons annually
- ❖ Opportunities in the growing export markets in EU and Asia

Investment Rationale (cont'd)

Leadership
position in an
attractive
market

- ❖ As No. 2 California tomato processor with **14% of the industry's production volume & 5% global market share** this acquisition provides
 - ❖ An accelerated entry and springboard for attaining leadership position at an attractive entry price of US\$ 39 million as compared to a potential replacement value of US\$120-130 million
 - ❖ Globally competitive and world class manufacturing operations through modern and well located facilities
 - ❖ Existing grower and customer base significantly reduces time to market compared to a greenfield venture

Investment Rationale (cont'd)

Barriers to entry

- ✦ Market leadership position due to scale, strong grower and customer franchise and processing & packaging technology skills provide strong barriers to entry for potential new entrants.

Strong overlap in customer base

- ✦ Provides an **opportunity to cross-sell** the tomato products along with our existing range of **Spice and Dehydrates** to our well established customer base
- ✦ Sales and distribution synergies with Olam's dehydrate operations

Strategic & Business Fit

Strategic & Business Fit

- ❖ **Origination:** Strong grower franchise. Common grower base with growers having been associated with Anderson Clayton (QCH subsidiary) for a long time that extends from Bakersfield to Williams region in California.
- ❖ **End-customer relationships:** High degree (85%) of customer overlap in the food manufacturing and food service segments between this acquisition and Olam's existing operations in both domestic US market and potential export markets in EU and Asia
- ❖ **Value-added services and value-chain integration:**
 - ❖ 30% -35% of total production is organic
 - ❖ Custom made canned and diced products
- ❖ **New product adjacencies:** A major stepping stone in our potential expansion to other vegetable dehydrates

Financial Impact



Financial Impact

- ✿ Transaction is an acquisition of distressed assets at significantly below replacement cost (acquisition cost of US\$39 million vs replacement cost of US\$180 million).
- ✿ Transaction will not be immediately earnings accretive during the first year as capacity utilisation will be lower than expected given limited time to complete contracts with growers, customers and service providers during the season.
- ✿ We expect to scale up capacity utilisation from FY2011 and achieve steady state capacity (which the plants had delivered consistently prior to 2008) in FY2012.
- ✿ At steady state (in 3 years), this operation will potentially generate revenues of US\$200 million with an EBITDA margin of 12-13% on capacity utilisation rate of 80-85%.
- ✿ At this scale and size, the investment will be value-accretive in addition to helping us build market leadership position in both the US and in the global tomato processing industry.

Q & A

