



# **Olam International Limited**

## **First Quarter FY2010 Results Briefing**

12<sup>th</sup> November 2009 | Singapore

**This presentation should be read in conjunction with Olam International Limited's First Quarter FY2010 (Q1FY2010) Financial Results for the period ended 30th September 2009 statement lodged on SGXNET on 12<sup>th</sup> November 2009.**

## Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries ('Group') 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. 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. Such factors that may affect Olam's future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today's press release and in the management discussion and analysis section of the company's First Quarter FY2010 (Q1FY2010) results report and filings with SGX. 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.



# Results Presentation : Outline

- 🌿 **Results: Q1FY2010 - Consolidated P&L Analysis**
- 🌿 **Results: Q1FY2010 - Segmental Analysis**
- 🌿 **Results: Q1FY2010 - Balance Sheet Analysis**
- 🌿 **M & A Update**

# Results: Q1FY2010

## Consolidated P&L Analysis






# Summary

	Q1FY2010 (S\$'000)	Q1FY2009 (S\$'000)	% Increase
Sales Volume (MT)	1,306,394	1,101,039	18.7
Sales Value	1,876,657	1,712,777	9.6
GC	188,788	171,327	10.2
NC	144,457	123,572	16.9
PAT	19,036	14,926	27.5

# Consolidated P&L Analysis: Q1FY2010

## Sales Volume: 1.306 million metric tons

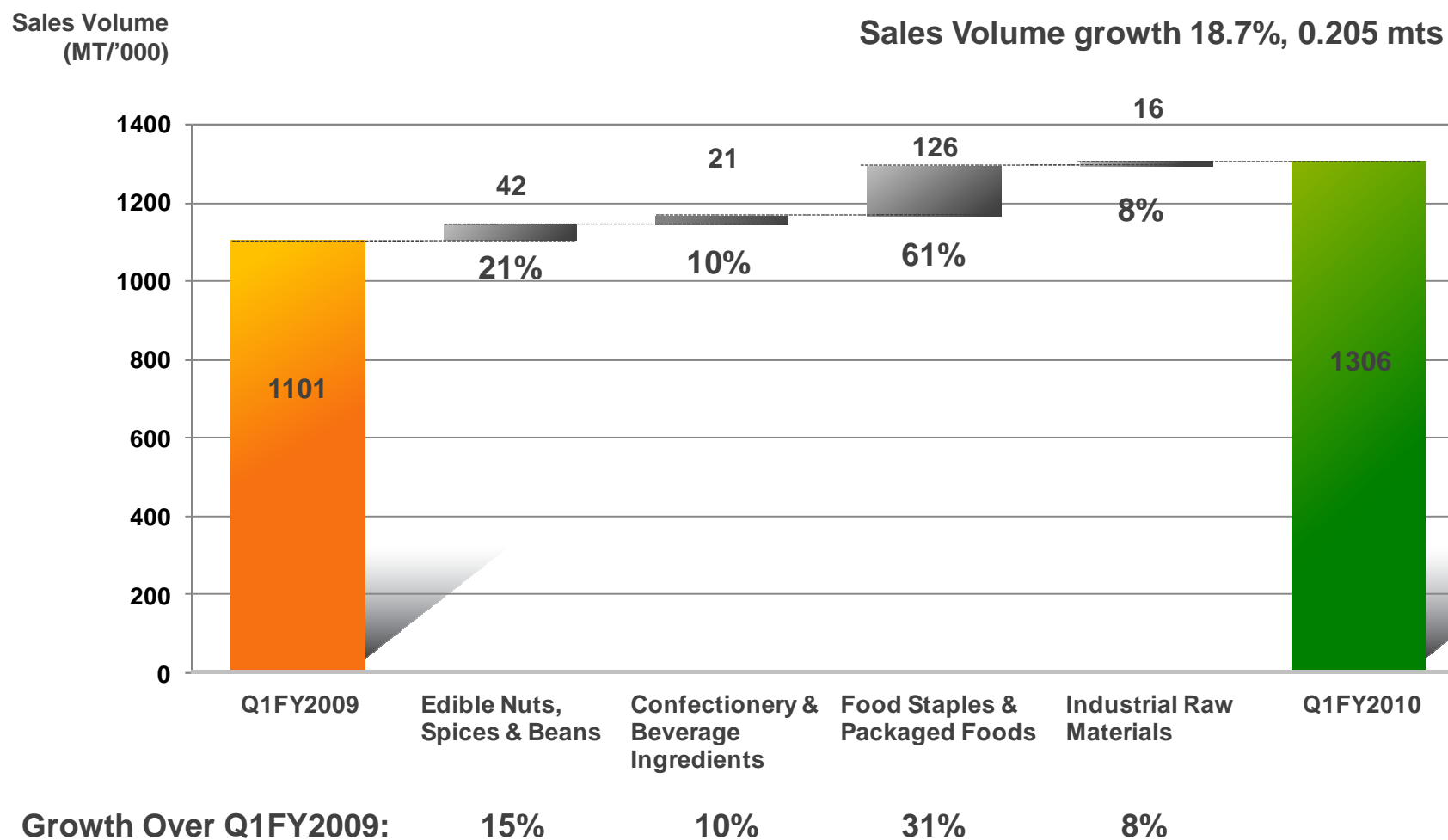
-  Volume grew by 0.205 million metric tons
-  18.7% growth over Q1FY2009
-  Volume growth across all 4 segments

# Volumes

	Q1FY2010 (MT/'000)	Q1FY2009 (MT/'000)	% Change
Edible Nuts, Spices & Beans	320	278	15.2
Confectionery & Beverages Ingredients	223	202	10.2
Food Staples & Packaged Foods	539	413	30.7
<b>TOTAL FOOD CATEGORY</b>	<b>1,082</b>	<b>893</b>	<b>21.2</b>
Industrial Raw Materials	224	208	7.6
Consolidated Total	1,306	1,101	18.7






## Sales Volume Growth : Segmental Contribution

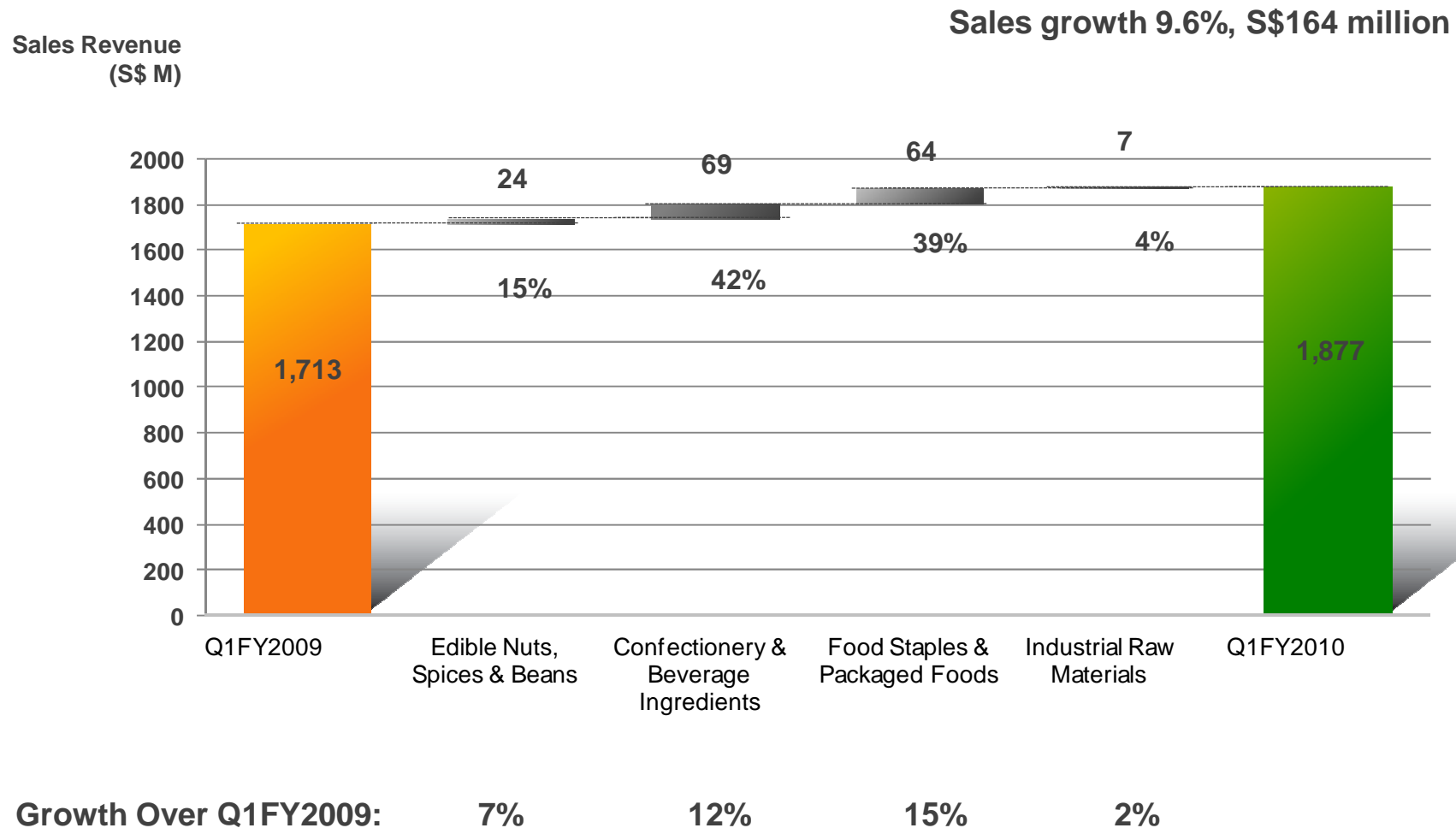


## Consolidated P&L Analysis: Q1FY2010

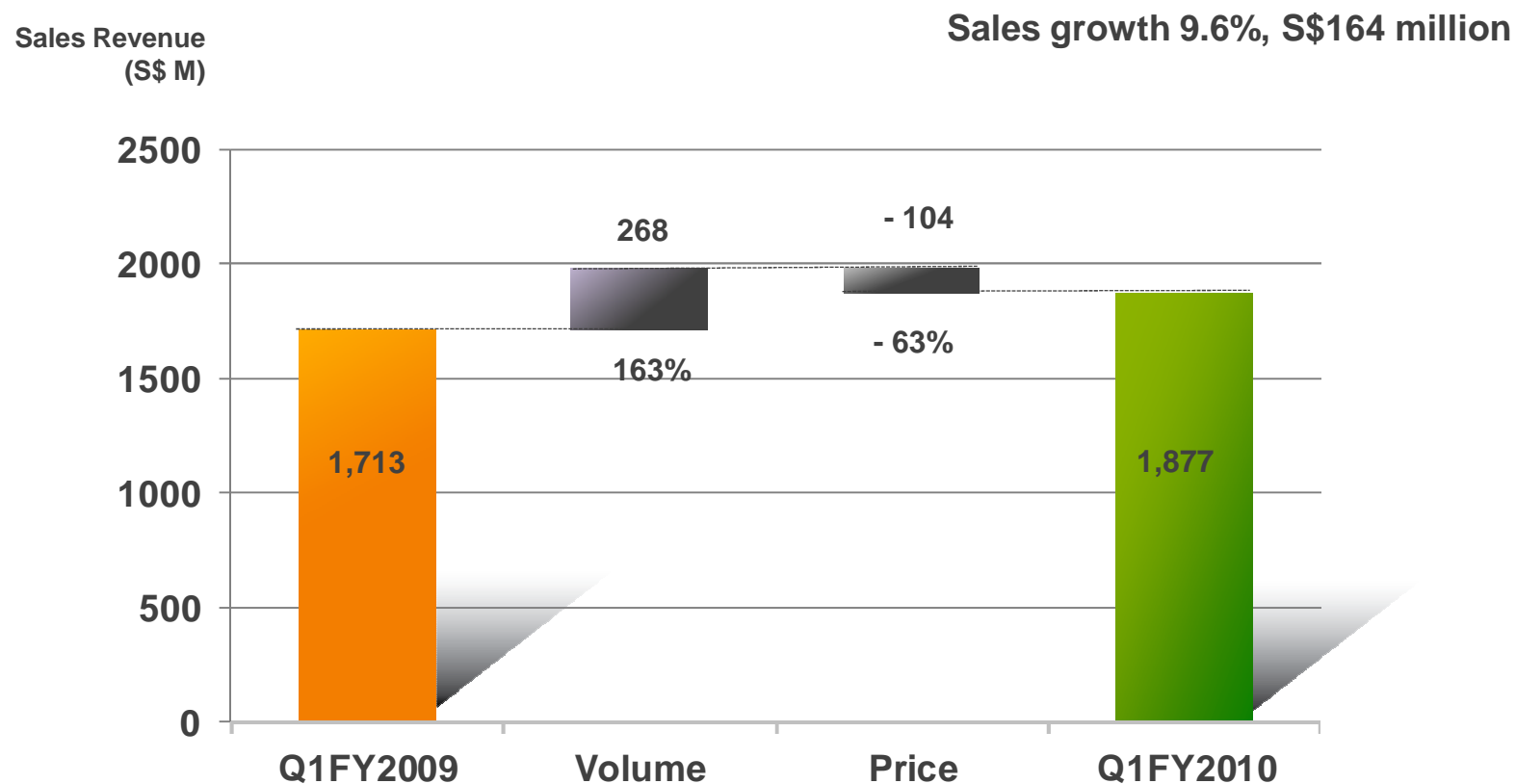
 **Total Sales Revenue: S\$1,877 million**

-  9.6% growth over Q1FY2009
-  Revenue growth across all segments
-  Revenue growth driven by growth in volumes

# Sales Revenue Growth: Segmental Contribution






## Sales Revenue Growth: Sources





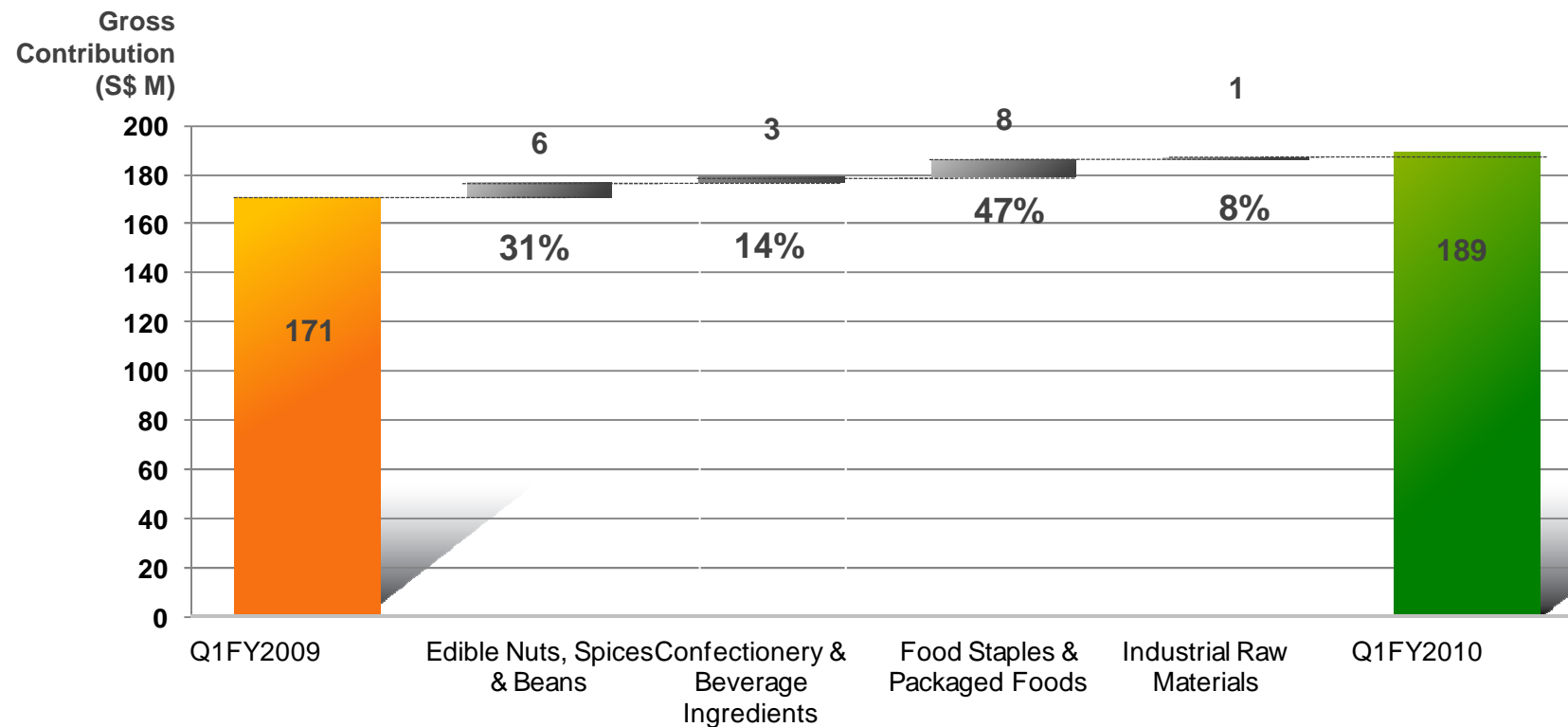
## Consolidated P&L Analysis: Q1FY2010

### **Gross Contribution (GC): S\$189 million**

-  GC growth from S\$171m to S\$189m
-  10.2% growth over Q1FY2009
-  GC growth across all segments

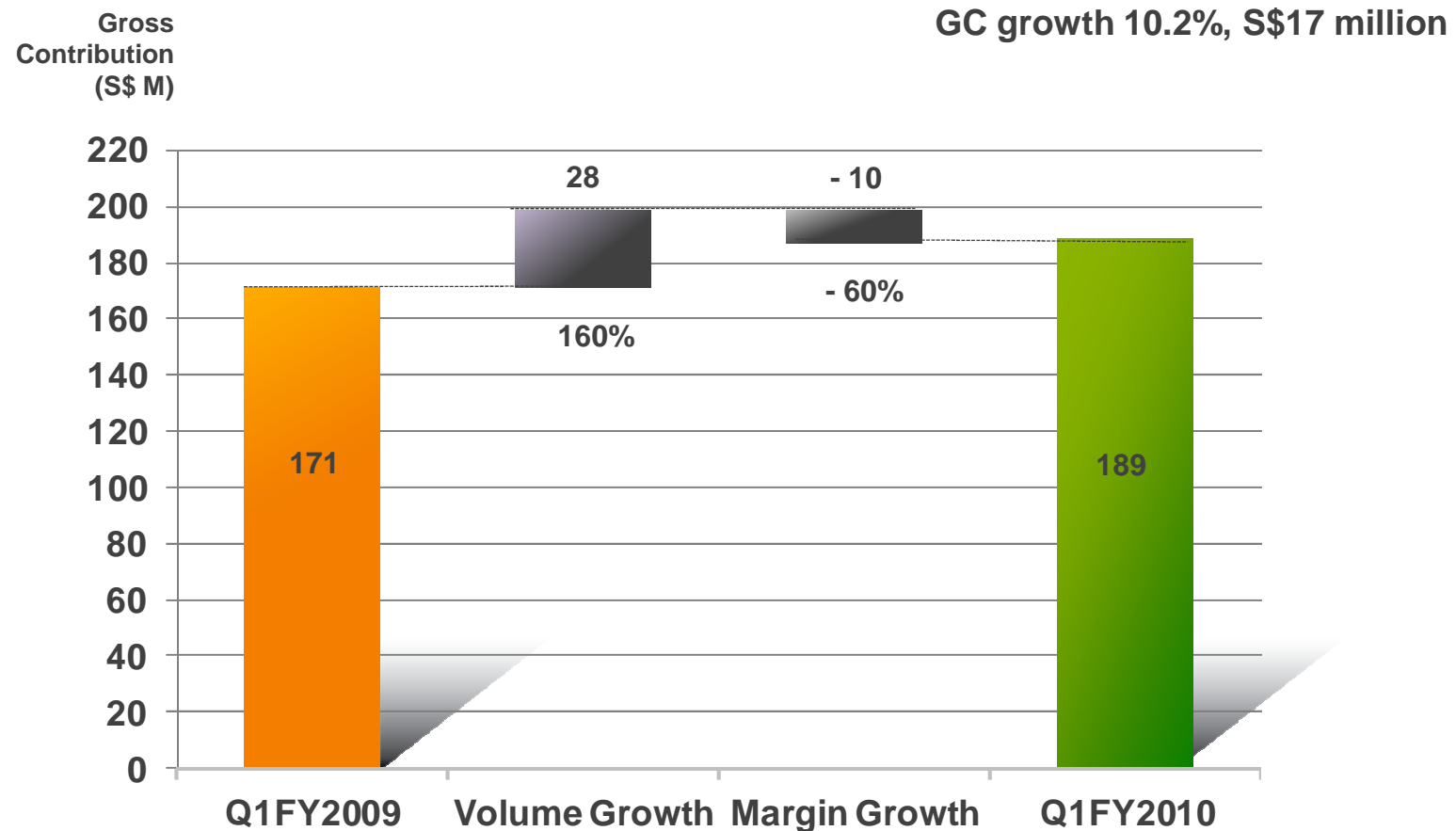
# Gross Contribution Growth: Segmental Share

GC growth 10.2%, S\$17 million






Growth Over Q1FY2009: 12% 5% 19% 4%

## Gross Contribution Growth: Segmental Share



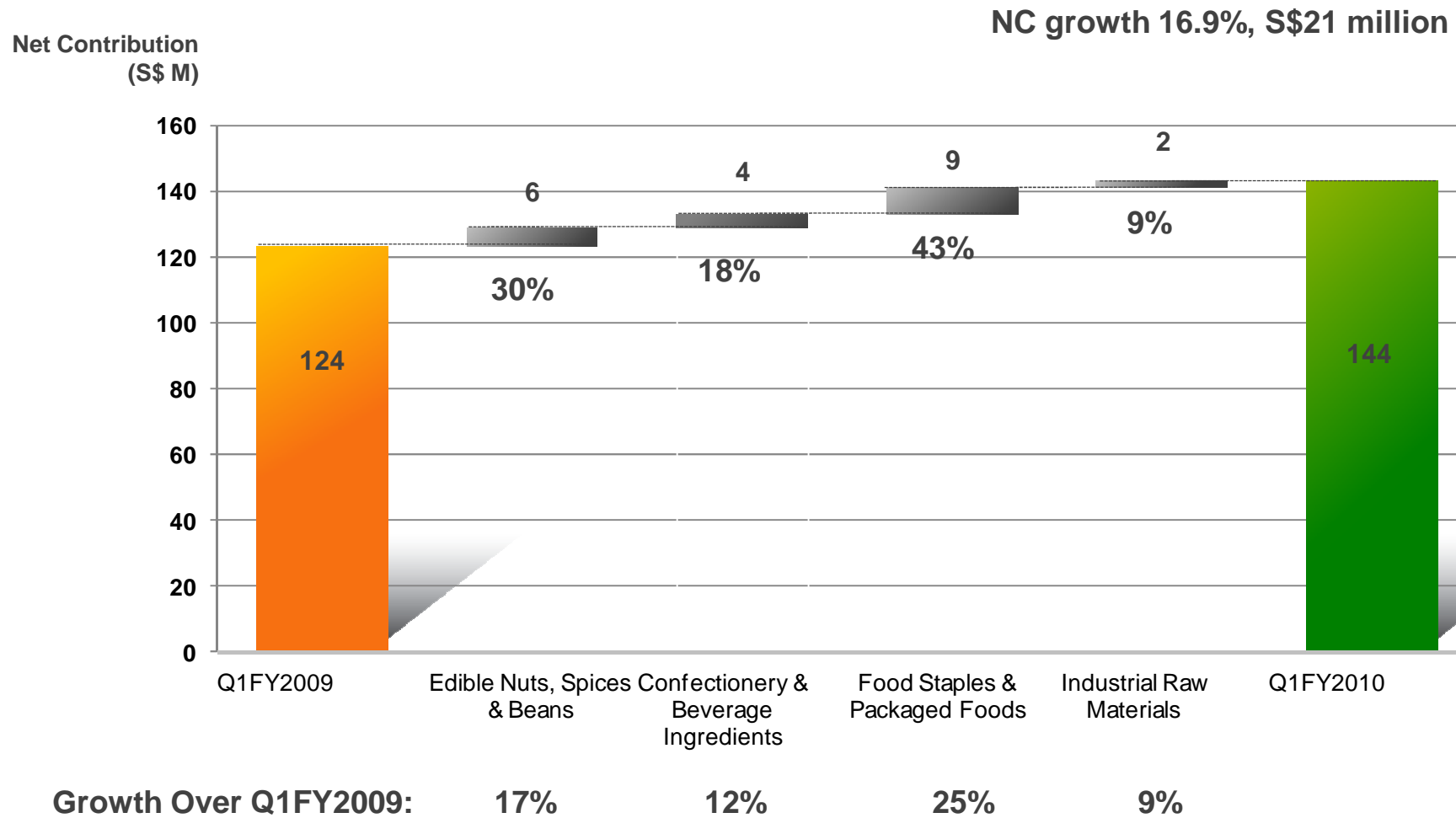
# Consolidated P&L Analysis: Q1FY2010

## **Net Contribution (NC): S\$144 million**

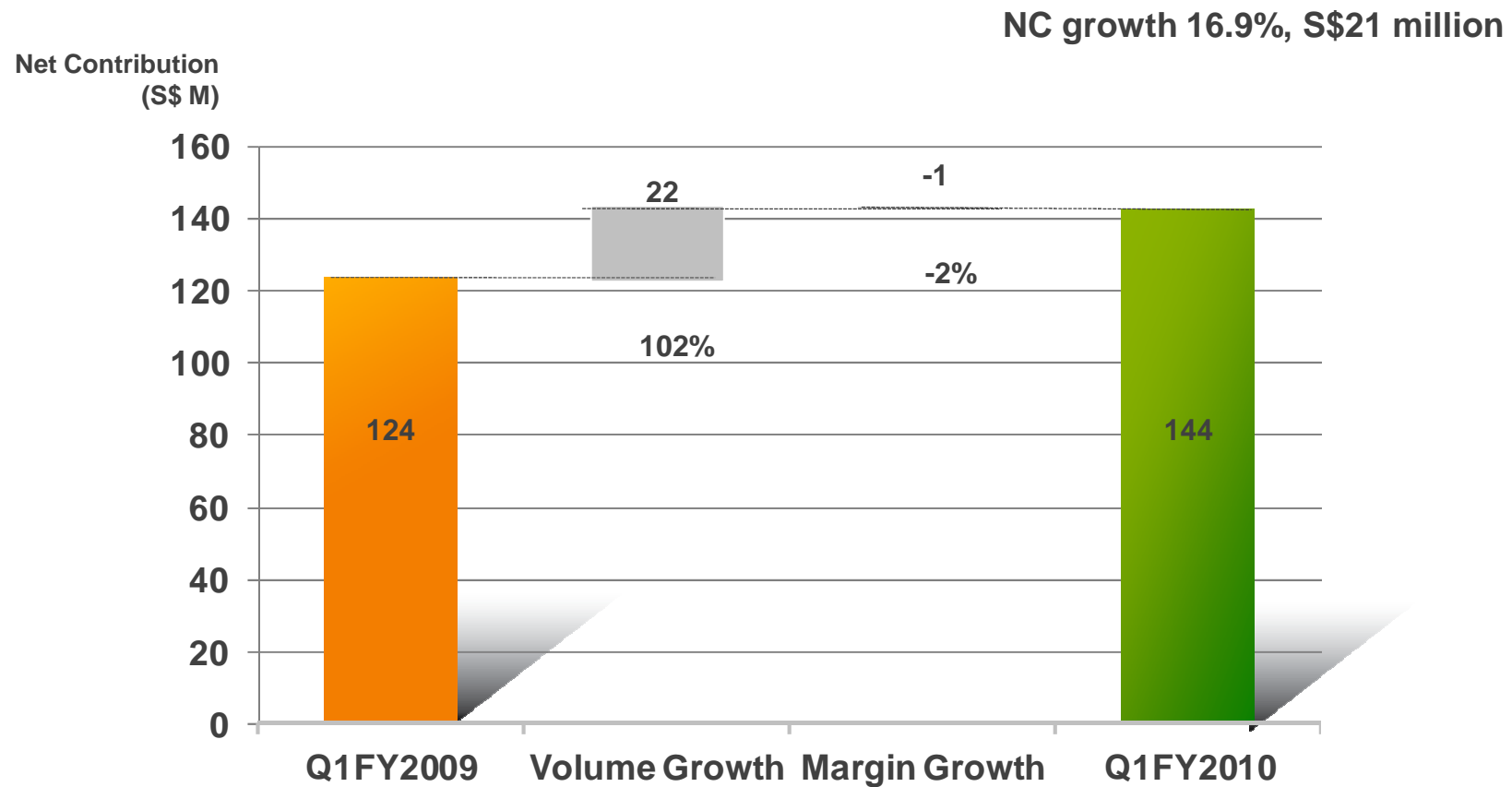
-  NC growth from S\$124m to S\$144m
-  16.9% growth over Q1FY2009
-  NC growth across all segments



## Net Contribution Growth: Segmental Share



## Net Contribution Growth: Sources



# Impact of FRS 102

✿ The following two employee Share Schemes come under the ambit of FRS 102:

- Employee Share Subscription Scheme (ESSS)
- Employee Share Options Scheme (ESOS)

✿ The impact of FRS 102 on the Financial Statements is as follows:

	Prior Period S\$'000	Q1FY2010 S\$'000	Carried Forward S\$'000	Total S\$'000
ESSS	2,457	-	-	2,457
ESOS	15,863	2,505	36,657	55,025
<b>Total</b>	<b>18,320</b>	<b>2,505</b>	<b>36,657</b>	<b>57,482</b>

## Consolidated P&L Analysis: Q1FY2010

🌱 **SG&A** increased by 10.2% to S\$112.0 million in Q1FY2010

	Q1FY2010	Q1FY2009	Change
SG&A (S\$million)	112.0	101.6	10.2%
SG&A/Sales Ratio	5.97%	5.93%	0.04%



# Consolidated P&L Analysis: Q1FY2010

## **Net Profit After Tax (NPAT) : S\$19.0 million**

- 27.5% growth over Q1FY2009

## **Earnings per Share (EPS)**

- 0.96 cent/share in Q1FY2010 vs 0.87 cent/share in Q1FY2009
- 10.3% growth over Q1FY2009

# Results: Q1FY2010

## Segmental Analysis



# Segmental Analysis Q1FY2010: Summary

## Olam Consolidated

- Turnover **S\$1877 million**
- Volume **1.306 mmts**
- NC **S\$ 144 m**
- NPAT **S\$ 19.0 m**

### Edible Nuts, Spices & Beans

- Turnover **S\$355 m**
- Volume **0.320 mmts**
- NC **\$ 43 m**

- NC Share **29.5%**



### Confectionery & Beverage Ingredients

- Turnover **S\$661 m**
- Volume **0.223 mmts**
- NC **S\$ 33 m**

- NC Share **23.2%**



### Food Staples & Packaged Foods

- Turnover **S\$484 m**
- Volume **0.539 mmts**
- NC **S\$ 45 m**

- NC Share **31.3%**



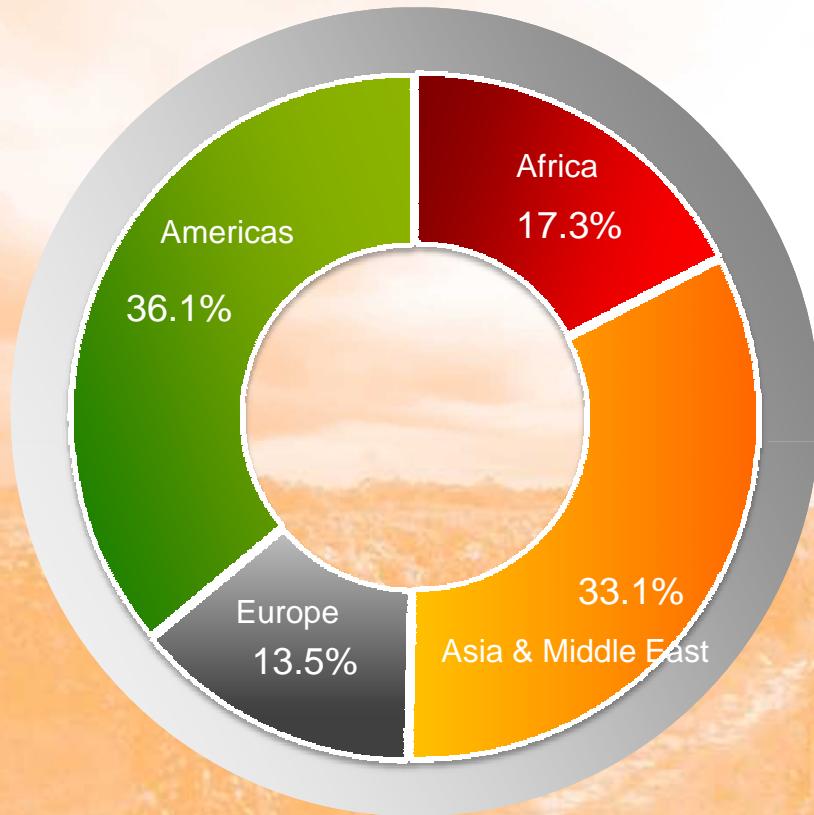
### Industrial Raw Materials

- Turnover **S\$377 m**
- Volume **0.224 mmts**
- NC **S\$ 23 m**

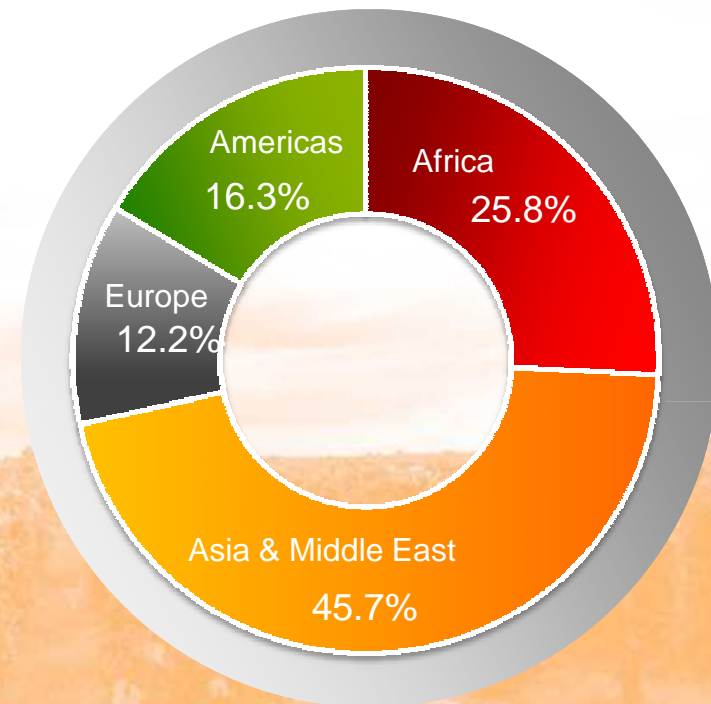
- NC Share **16.0%**



## Well Diversified Sourcing : Origins



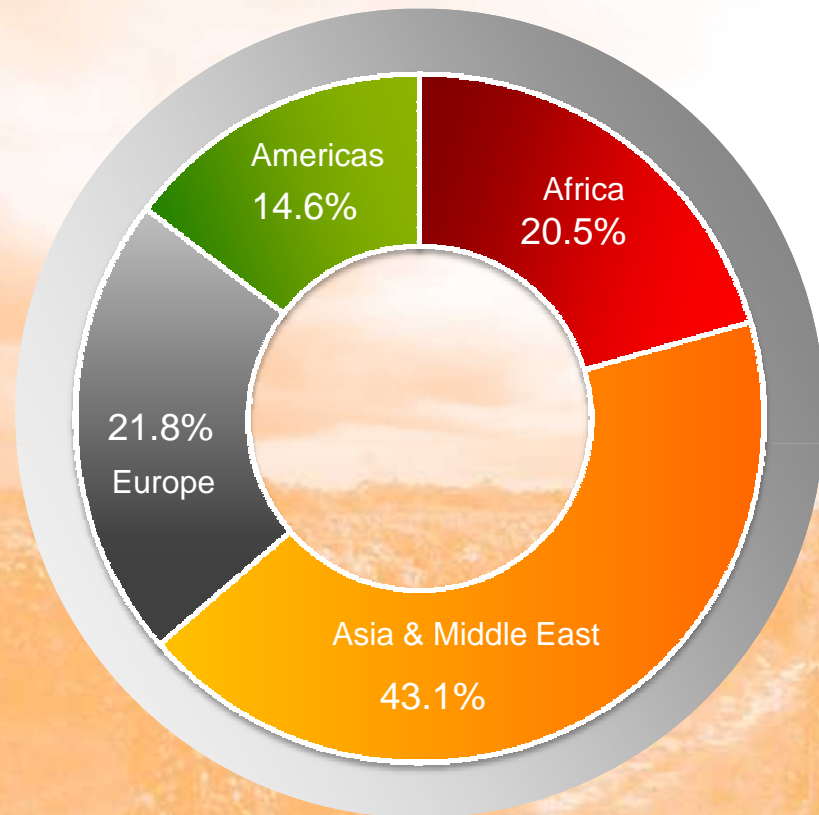
**Sourcing Volume  
Q1FY2010**



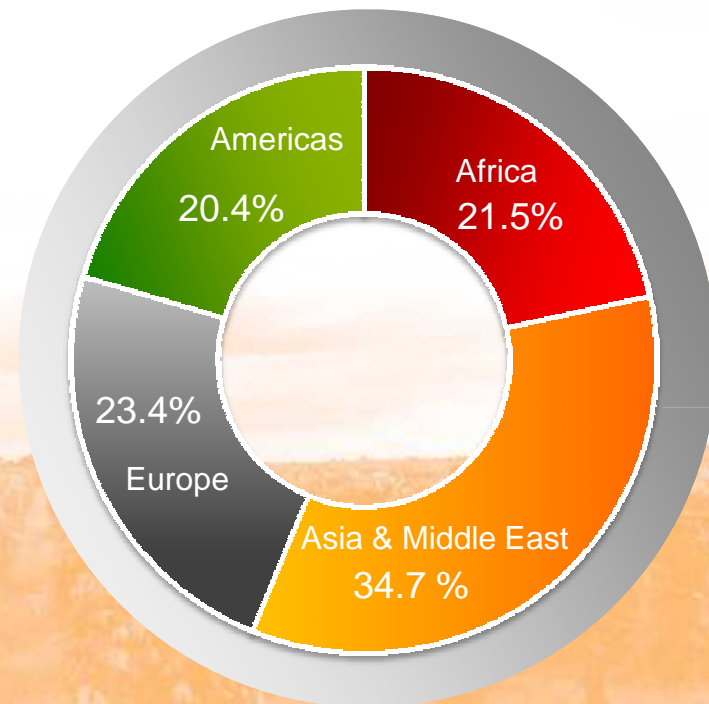
**Sourcing Volume  
Q1FY2009**



## Well Diversified Sales : Markets



**Sales Turnover  
Q1FY2010**



**Sales Turnover  
Q1FY2009**

## Well Diversified: Customers

Segment	Top 5 Customer Share of Total Sales Q1FY2010
Edible Nuts, Spices & Beans	1.0%
Confectionery & Beverage Ingredients	10.1%
Food Staples & Packaged Foods	2.8%
Industrial Raw Materials	1.6%

# Results: Q1FY2010

## Balance Sheet Analysis



# Balance Sheet Analysis: Summary

(Figures in S\$ million)	Q1FY2010	FY2009	Change	% Change
Fixed assets	584.7	534.0		
Long term investments	409.1	400.9		
Goodwill & Intangibles	125.8	127.5		
<b>Total Fixed / Long Term Investments</b>	<b>1,119.6</b>	<b>1,062.4</b>	<b>57.2</b>	<b>5.4%</b>
Inventories	2,099.4	1,966.4		
Trade receivables	644.5	732.5		
Advance to suppliers	333.5	277.7		
Margin account with brokers	170.9	64.8		
Cash & cash equivalents	322.3	533.8		
Fair value of derivatives	513.0	349.8		
Other assets	538.4	428.0		
<b>Total Other Assets</b>	<b>4,622.0</b>	<b>4,353.0</b>	<b>269.0</b>	<b>6.2%</b>
<b>Total Assets</b>	<b>5,741.6</b>	<b>5,415.4</b>	<b>326.2</b>	<b>6.0%</b>
Trade payables & accruals	(418.7)	(659.0)		
Fair value of derivatives	(706.8)	(403.5)		
Other Liabilities	(152.1)	(132.8)		
<b>Net Assets</b>	<b>4,464.0</b>	<b>4,220.1</b>	<b>243.9</b>	<b>5.8%</b>
Short term debt	1,849.3	1,997.7		
Long term debt	1,221.4	1,176.6		
<b>Total Debt</b>	<b>3,070.7</b>	<b>3,174.3</b>	<b>(103.6)</b>	<b>(3.3%)</b>
Equity & Reserves (before fair value adj.)	1,653.8	1,225.7	428.1	34.9%
Less: Fair value Reserve	(260.5)	(179.9)		
<b>Equity &amp; Reserves (after fair value adj.)</b>	<b>1,393.3</b>	<b>1,045.8</b>	<b>347.5</b>	<b>33.2%</b>
<b>Total Capital Employed</b>	<b>4,464.0</b>	<b>4,220.1</b>	<b>243.9</b>	<b>5.8%</b>

# Long Term Capital / Fixed Investments

(in S\$ million)	Q1FY2010	FY2009	Increase/ Decrease
Fixed Assets	584.7	534.0	↑ 50.7
Long Term Capital / Investments	409.1	400.9	↑ 8.2
Goodwill & Intangibles	125.8	127.5	↓ 1.7
<b>Total</b>	<b>1,119.6</b>	<b>1,062.4</b>	<b>↑ 57.2</b>
Fixed Investments/ Total Assets* Ratio	21.4%	21.0%	
Fixed Investments excluding Goodwill & Intangibles/ Total Assets* Ratio	19.0%	18.5%	

\* Excluding hedging assets

## Balance Sheet Analysis: Ratios

	Q1FY2010	Q1FY2009	Change
Debtors (days)	31	31	-
Stock (days)	114	95	19
Advance to Suppliers (days)	18	22	(4)
Trade Creditors (days)	(23)	(27)	4
Cash to cash cycle	140	121	19
Current Ratio(x)	1.48	1.65	(0.17)

## Balance Sheet Analysis: Debtors

- ✿ 71.4% of Debtors secured by Letter of Credit / Documents of title.

## Balance Sheet Analysis: Stock

(in S\$ million)	Q1FY2010	Q1FY2009	Increase / Decrease
Edible Nuts, Spices & Beans	430.6	241.0	189.6
Confectionery & Beverage Ingredients	888.3	694.1	194.2
Food Staples & Packaged Foods	494.5	374.5	120.2
Industrial Raw Materials	286.0	296.9	(10.9)
<b>Total</b>	<b>2,099.4</b>	<b>1,606.5</b>	<b>492.9</b>

**84.8% of stocks sold forward or hedged**



# Debt Facilities & Utilisation

- ✿ Only 56.8% of total credit facilities were used as of 30<sup>th</sup> September 2009

(in S\$ million)	Amount	% Share	Limits	% Utilised
Short Term Facilities	1,849.3	60.2	4,036.8	45.8
Medium Term Facilities	1,012.2	33.0	1,162.8	87.1
Long Term Facilities	209.2	6.8	209.2	100.0
<b>Total Borrowings</b>	<b>3,070.7</b>	<b>100.0</b>	<b>5,408.8</b>	<b>56.8</b>

# Syndicated Term Loan Upsized to US\$ 850 Million

- ✿ Olam received underwriting commitments from 9 MLAs in August 2009 for US\$ 540 Million.
- ✿ The loan was launched in general syndication in September 2009, with well-attended roadshows in Singapore, Hong Kong & Taipei.
- ✿ The syndication has been significantly oversubscribed with commitments received from a group of over 35 international banks.
- ✿ Given the strong response from the syndication market, and in order to support the execution of our recently announced 6-year Strategic Plan, we have decided to upsize the facility to US\$ 850 Million, split into 2 tranches as below :
  - Tranche A : 3-year Term Loan of US\$ 510 Million
  - Tranche B : 5-year Term Loan of US\$ 340 Million

## Convertible Bond Update : US\$ 500 million

- ✿ On 1<sup>st</sup> October 2009, the Company decided to increase the issue size of its convertible bonds due 2016 by an additional US\$ 100 million, bringing the total issue size to US\$500 million.
- ✿ The Upsize Option was allocated to Breedens Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Pte) Ltd, which marked its second investment in Olam in the last three months.
- ✿ The equity placement of US\$ 300m in July 2009, the CB issue of US\$ 500m in Oct / Nov 2009 and US\$ 850 m of syndicated loan provides us significantly enhanced financial flexibility to execute and deliver on our strategic plan.

## Debt Facilities: Limits

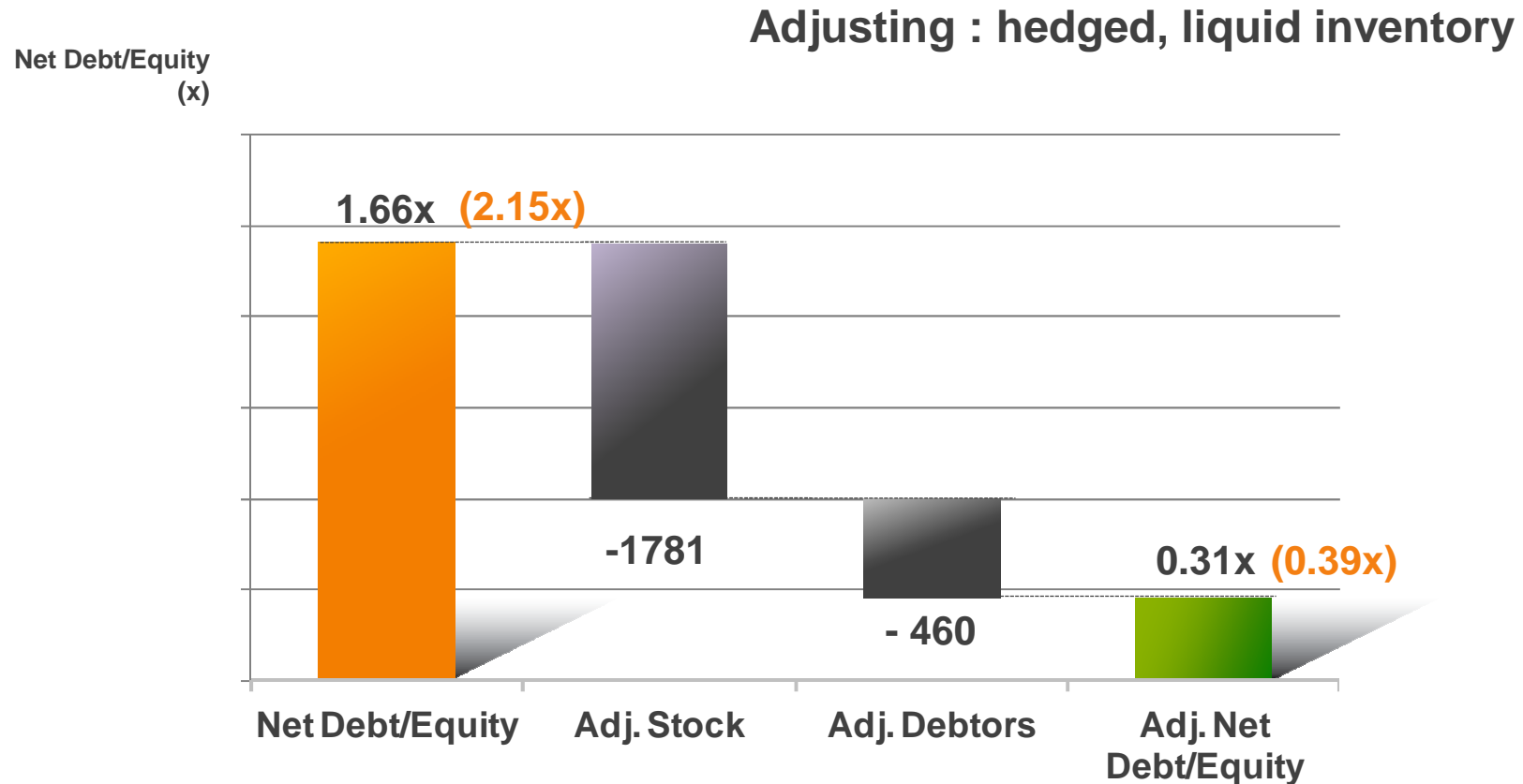
(in S\$ million)	Q1FY2010	FY2009	Increase/ (Decrease)	% Increase/ (Decrease)
Short Term Banking Facilities	4,036.8	4,149.1	(112.3)	(2.7)
Medium Term Facilities	1,162.8	1,168.9	(6.1)	(0.5)
Long Term Facilities	209.2	215.0	(5.8)	(2.7)
<b>Total in S\$</b>	<b>5,408.8</b>	<b>5,533.0</b>	<b>(124.2)</b>	<b>(2.2)</b>

Additional facility of US\$850m (US\$510m medium term and US\$340 long-term) is being put in place.

## Balance sheet Analysis: Gearing

	Q1FY2010		FY2009		Change	
Leverage (x)	Before Intangibles Adj.	Net of Intangibles	Before Intangibles Adj.	Net of Intangibles	Before Intangibles Adj.	Net of Intangibles
Gross Debt to Equity (x)	1.86	2.01	2.59	2.89	(0.73)	(0.88)
Net Debt to Equity (x)	1.66	1.80	2.15	2.40	(0.49)	(0.60)
<b>Liquidity</b>						
Cash to Sales (%)	4.29		6.26		(1.97)	
Cash & Cash Equivalents	322.3 m		533.8 m		(211.5)	
Margin Deposit with Brokers	170.9 m		64.8 m		106.1	

# Balance Sheet : Analysis of Gearing



## Impact of FRS 39

- ✿ Reduction in equity as of 30 September 2009 is S\$260.5 million.
- ✿ FRS 39 allows for hedge accounting to be applied when strict effectiveness criteria are met.
- ✿ We have assessed the effectiveness of our hedging instruments and have concluded that the majority of the derivatives qualifies for hedge accounting. Hence, adjustment due to adoption of FRS 39 has mainly flown to equity.
- ✿ We do not expect any adverse impact of these measurements to the results of the Company.

# M&A Update: Acquisition of Tomato Processing Facilities

- ✿ In July 2009, acquired tomato processing assets of SK Foods and RHM Industrial for a cash consideration of US\$39.0 million
- ✿ 1.5 million tonnes tomato processing facilities in 2 plants located on 82 acres in the Central California city of Lemoore and on 42 acres in Williams in northern Sacramento Valley
- ✿ Capability to handle paste, diced and multiple products for tomatoes and other ingredients
- ✿ No. 2 in California with 14% market share and estimated to be 4<sup>th</sup> largest globally with market share of 5%
- ✿ One of the largest certified processor of organic products with more than 30 percent supply of organic processing tomato acreage in California
- ✿ Estimated to generate revenue of US\$200 million and EBITDA margin of 12-13% in FY2012.



## M&A Update: Acquired 14.35% stake in New Zealand Farming Systems Uruguay

- ✿ In September 2009, acquired 14.35% stake in New Zealand Farming Systems Uruguay (“NZFSU”), an operator of large scale Kiwi-style dairy farming operations in Uruguay for a cash consideration of NZ\$14.37 million (US\$9.88 million).
- ✿ NZFSU owns 36,300 hectares of dairy farm land of which 10,500 hectares has currently been developed in 26 farms.
- ✿ In FY2009, NZFSU produced 44.6 million litres of milk and is expected to produce 80-85 million litres in FY2010.

## M&A Update: Acquisition of Almond Orchards

- ✿ In September 2009, signed definitive agreement to acquire 8,096 hectares of planted almond orchards, 40,825 mega litres of permanent water rights and 1,700 hectares of unplanted land from Timbercorp in Australia for a cash consideration of A\$128 million
- ✿ At full maturity in 2013-14, the orchards are expected to product 27,000 MT of almonds accounting for ~33% of expected almond production in Australia, making the company Australia's largest almond grower and placing it amongst the top three almond growers globally
- ✿ Cashflow break-even in the 3<sup>rd</sup> year as against 6<sup>th</sup>/7<sup>th</sup> year in greenfield operations.
- ✿ Expected to generate ~A\$50 million at steady state
- ✿ Expected to generate project IRR of 20-24%



**Thank You**