



Olam secures additional almond assets in Australia

(Acquisition of the Timbercorp Primary Infrastructure Fund almond orchards and associated PWRs)

16 November 2009 | Singapore








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Presentation **outline**

-  **Introduction**
-  **Overview of Assets Acquired**
-  **Financial impact**
-  **Key Risks**
-  **Q & A**
-  **Appendix**

Introduction



Introduction: **Transaction overview**

Transaction	<ul style="list-style-type: none">Acquisition of:<ul style="list-style-type: none">3,853 planted hectares (“HA”) of almond orchards; and48,259 megalitres (“ML”) of Permanent Water Rights (“PWRs”) <p>(together called “TPIF orchards”) from various sub-trusts* of the Timbercorp Primary Infrastructure Fund (“TPIF”)</p>
Consideration	<ul style="list-style-type: none">Acquired for A\$160mm on an unencumbered, debt and cash free basis
Financing	<ul style="list-style-type: none">All cash transaction funded through internal accruals and existing credit facilities
Closing	<ul style="list-style-type: none">Transaction expected to close in January 2010, subject to regulatory and court approvals and customary closing conditions

**Acquired from OIM #2 Pty Ltd as trustee for the Timbercorp Orchard Trust #3 and OIM #5 Pty Ltd as trustee for the Timbercorp Orchard Trust #5 which are sub-trusts of TPIF*

Introduction: **Transaction background**

- ❖ **TPIF** is a sale and leaseback vehicle created in September 2005 by **Timbercorp Limited** (“Timbercorp”), formerly one of **Australia’s largest agribusiness companies**, with respect to its almond and citrus orchards and associated PWRs (Timbercorp held a 46% stake in TPIF)
- ❖ With the liquidation of Timbercorp, various sub-trusts of TPIF entered into receivership as lease rental income from Timbercorp ceased, and they were unable to service their debt
- ❖ Following a sale process commissioned as part of the receivership process, Olam emerged as the successful bidder and agreed to acquire TPIF’s almond assets on an unencumbered, debt free/cash free basis

Introduction: **Update on the previously announced acquisition of almond orchards**

- ✿ On 18th September 2009, Olam agreed to acquire 8,096HA of planted almond orchards (along with associated PWRs of 40,825ML and 1,700HA of unplanted land) through the liquidation proceedings of Timbercorp Limited (these assets called the “Timbercorp orchards” hereafter)
- ✿ **The Supreme Court of Victoria has subsequently approved the sale process of the Timbercorp orchards to Olam, free of encumbrances from investors in the Timbercorp investment schemes and claims from creditors of Timbercorp**
- ✿ Remaining conditions expected to be satisfied over the next 4-6 weeks with closing expected by mid-December 2009

Introduction: **Key investment highlights**

- 1 Investment rationale identical to the previously announced Timbercorp orchards transaction**
- 2 Acquisition price and returns similar to the Timbercorp orchards transaction after adjusting for differences in orchard maturity and additional PWRs being acquired***
- 3 TPIF orchards are nearing full maturity with very little residual establishment risk; require minimal additional capital investment and are likely to yield positive cash flows from FY10**
- 4 We expect this investment to be earnings and value accretive** from FY10**

**Please refer Appendix for comparison of the prices paid for Timbercorp and TPIF orchards*

***After accounting for the fair value of biological assets as per IAS 41 "Agriculture"; projections do not include impact of potential synergies*

Introduction: **Key investment highlights (cont'd)**

- 6 TPIF orchards are geographically contiguous with Timbercorp orchards which provides for supervisory ease and sharing of administrative costs**
- 7 Additional operating synergies likely to accrue to Olam on a consolidated basis in sourcing of inputs, processing and marketing of almonds**
- 8 Reduced reliance on temporary water due to the acquisition of significant PWRs (12.5ML per HA). This is expected to improve the overall water position of the combined orchard portfolio**

Asset overview



Asset overview: **Almond orchards acquired**

- ❖ TPIF orchards located in close proximity to the Timbercorp orchards
- ❖ Proximity provides supervisory ease and a significant logistics advantage with regards to collection and processing of almonds
- ❖ Independent third party service providers with strong track records available for orchard management; existing orchard management agreements to remain in place for the moment

Source: Google Maps



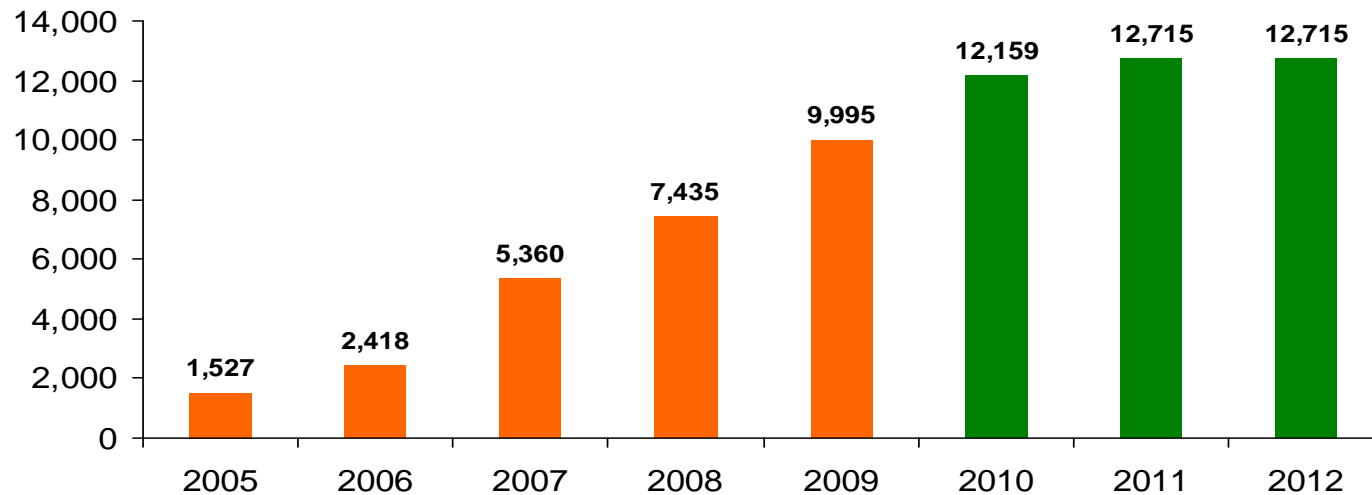
Asset overview: **Portfolio of orchards acquired**

Almond Orchard	Vintages	Planted Hectares	Attached PWRs (ML)	Almond Variety
Liparoo	2001	1,004	12,647	Non-Pareil: 50% Carmel: 33% Price: 17%
Yungera	2003	1,118	13,973	
Wandown	2004	1,226	15,326	
Wangera	2005	505	6,313	
		3,853	48,259	

- Orchards will be acquired free of encumbrances (i.e. free of claims from MIS investors and TPIF's secured and unsecured creditors)
- Almond varieties grown constitute an optimal mix so as to facilitate pollination and maximize revenues
- PWRs acquired are fungible across TPIF and Timbercorp orchards and will help us manage water more efficiently across the overall orchard portfolio**

Asset overview: **TPIF almond production**

Almond Production (MT) for TPIF Orchards (3,853HA)



- 🌱 Average age of orchards is ~6 years
- 🌱 The orchards are expected to yield close to the peak commercial production of ~12,700MT per annum within the first year of ownership
- 🌱 Orchards are cashflow positive from the first year of acquisition
- 🌱 Minimal additional capital expenditure required

Note: Forecasts based on estimated yield of 3,300kg/HA at full maturity; actual yields may vary in the future
Source for past production data: Timbercorp

Asset overview: Comparison of Timbercorp and TPIF orchards

	Timbercorp Orchards	TPIF Orchards	Consolidated
Planted HA Acquired	8,096	3,853	11,949
PWRs Acquired (ML)	40,825 (5 ML/HA)	48,259 (12.5 ML/HA)	89,084 (7.5 ML/HA)
Unplanted Land Acquired (HA)	1,700	-	1,700
Acquisition Price (A\$m)	128	160	288
Additional Capex (A\$m)	~30	~2	~32
Cashflow Breakeven from Yr of Acquisition	3rd yr	1st yr	2nd yr
Average Orchard Age (Yrs)	~3	~6	~4
Full Maturity by	2013-14	2010-11	2013-14
Peak Commercial Production (000 MT)	~26.7	~12.7	~39.5

Financial impact



Financial impact: **Key highlights - TPIF orchards**

- ❖ **Transaction expected to be both earnings and value accretive* from the 1st year of ownership**
- ❖ **Expected project IRR of 16-20%*** (similar to those realized in Timbercorp orchards after considering incremental PWRs acquired and the older orchard maturity profile of the TPIF orchards)
- ❖ **Cashflow break-even expected in the 1st year from acquisition** (instead of year 3 for Timbercorp orchards or year 6 or 7 in a greenfield operation)
- ❖ **Minimal additional capital expenditure required post acquisition (~A\$2mm)**
- ❖ **Profit before tax** potential estimated at ~A\$22-25 mm on a steady state basis**

** On a standalone basis, without potential synergies; ** After accounting for the fair value of biological assets as per IAS 41, "Agriculture" and not including the impact of potential synergies*

Financial impact: **Key highlights - Consolidated**

	Consolidated*
Acquisition price (A\$mm)	
- Timbercorp Orchards	128
- TPIF Orchards	160
Additional Capital Expenditure	32
	320
Cashflow breakeven	2nd year from acquisition
Consolidated Project IRRs	18% - 22%
Steady state PBT**	~A\$70 - 75mm

* Does not include impact of potential synergies;

** After accounting for the fair value of biological assets as per IAS 41, "Agriculture" and not including the impact of potential synergies

An aerial photograph of a vast agricultural field, likely a vineyard or orchard, showing neat rows of green plants. A central dirt path runs through the middle of the field. The sky is clear and blue. An orange banner with white text is overlaid on the left side of the image.

Key risks

Key risks: **TPIF orchards**

Risks remain similar to those affecting the investment in Timbercorp orchards

- **Concentration:** ~A\$320mm capital invested in almond plantations in Australia (one country and one product)
- **Currency:** Appreciation of the A\$ against the US\$ could have short term impact on sales realization
- **Weather and water:** Possibility of prolonged drought in Australia and consequent spike in temporary water prices may cause volatility in earnings

Q & A



Appendix



Comparison: **Timbercorp and TPIF acquisition prices**

- ✦ The **Timbercorp orchards** comprising 8,096 planted hectares were acquired for A\$128mm i.e. **~A\$16,000 per HA***
- ✦ The **TPIF orchards** comprising 3,853 planted hectares were acquired for A\$160mm i.e. **~A\$42,000 per HA**
- ✦ The **difference in price paid** per hectare between Timbercorp orchards and TPIF orchards can be attributed to:
 - ✦ **Additional capital expenditure:** Timbercorp orchards require additional investment of A\$30mm for building irrigation infrastructure etc. whereas for TPIF orchards, the amount is minimal**
 - ✦ **Orchard maturity profile:** TPIF orchards (average age ~6 yrs) are older than Timbercorp orchards (average age ~3 yrs). Growing costs (net of revenues) will be incurred to bring Timbercorp orchards to the same age as TPIF orchards**
 - ✦ **Additional PWRs** acquired in case of TPIF orchards as against Timbercorp orchards**

* Does not include 1,700HA of unplanted land as its value is nominal with regard to the overall price

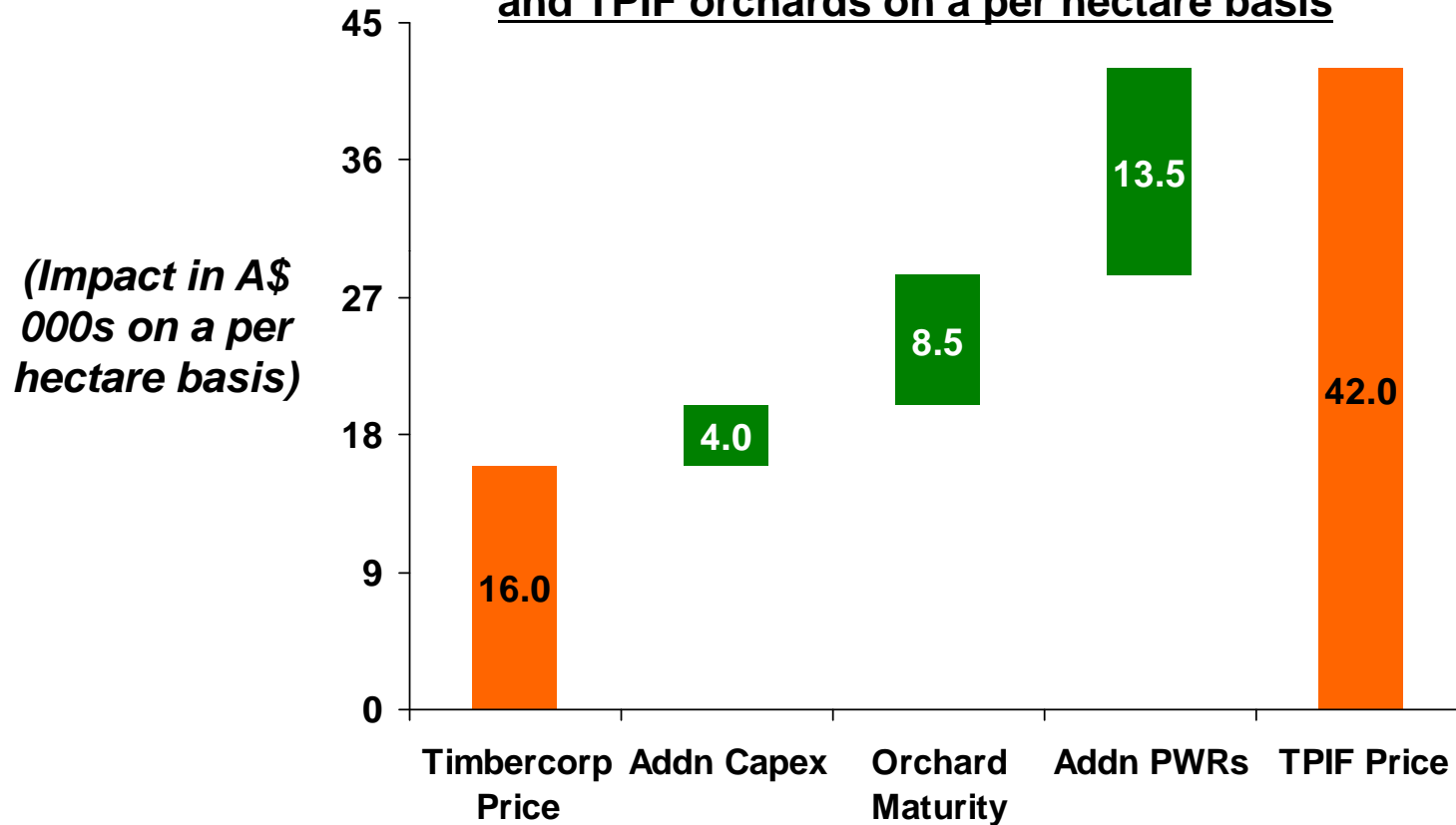
**Please refer the following slide for the relevant computations

Comparison: **Timbercorp and TPIF acquisition prices (cont'd)**

	Timbercorp	TPIF
Planted hectares acquired	8,096	3,853
<u>Acquisition Price</u>		
Acquisition price (A\$mm)	128	160
Acquisition price per HA (A\$)	~16,000	~42,000
<u>Additional Capital Expenditure</u>		
Additional capital expenditure (A\$mm)	~30	~2
Additional capital expenditure per HA (A\$)	~4,000	-
<u>Orchard Maturity</u>		
Growing costs (net of revenues) incurred per HA between age 3 (Timbercorp orchards) and age 6 (TPIF orchards) (A\$)	-	~8,500
<u>PWRs Acquired</u>		
PWRs acquired (ML)	40,825	48,259
PWRs acquired per HA (ML/HA)	5.0	12.5
Additional PWRs acquired in TPIF (ML/HA)		7.5
Estimated value of each PWR (A\$/ML)		-1,800
Additional investment in PWRs per HA (A\$)		~13,500

Comparison: **Timbercorp and TPIF acquisition prices (cont'd)**

Equating the acquisition prices of the Timbercorp and TPIF orchards on a per hectare basis



- Therefore, on an equated basis, the acquisition price per hectare for Timbercorp orchards is similar to TPIF orchards

Thank you

