

# Olam International Limited

## Third Quarter Results Briefing

13<sup>th</sup> May 2010 | Singapore



Investing for Value



**This presentation should be read in conjunction with Olam International Limited's Third Quarter (9M FY2010) Financial Results for the period ended 31<sup>st</sup> March 2010 statement lodged on SGXNET on 13<sup>th</sup> May 2010.**

## 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 Third Quarter (9M FY2010) 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: 9M FY2010 - Consolidated P&L Analysis**
- 🌿 **Results: 9M FY2010 - Segmental Analysis**
- 🌿 **Results: 9M FY2010 - Balance Sheet Analysis**

# Results: 9M FY2010

## Consolidated P&L Analysis





# Summary

	9M FY2010 (S\$'000)	9M FY2009 (S\$'000)	% Increase
Sales Volume (MT)	5,161.1	4,309.9	19.8
Sales Value	7,321.2	6,149.0	19.1
Net Contribution (NC)	566.5	438.5	29.2
NC/ton	109.8	101.7	7.9
Profit After Tax (PAT) (excluding exceptional gains)	170.6	124.8	36.7
Exceptional Gains	96.6	80.5	20.0
Profit After Tax (PAT)	267.2	205.3	30.1
PAT margin (%) (excluding exceptional gains)	2.33%	2.03%	-
PAT margin (%)	3.65%	3.34%	-

# Key Highlights:

- ✿ In July 2009, we developed a clear **growth strategy to enhance margins and quadruple intrinsic value** over the **next 6 years** (FY2010-FY2015).
- ✿ We targeted profitable excess returns upstream and midstream initiatives to achieve this outcome.
- ✿ In the first year of this plan, we have **achieved strong execution momentum** initiating **14 out of the top 20** identified growth initiatives. We have **invested S\$878 million** to execute this plan in the **first year**.
- ✿ This has helped us **achieve early success** and has resulted in a **30 basis point improvement in after tax margins** in the first 9 months and a **36.7% growth in Net Profit** (excluding exceptional gains).
- ✿ We have now **built a uniquely shaped portfolio** of 20 products with **attractive growth potential** and **good defensibility** of our **leadership position** in these businesses.

# In 2009, we developed a comprehensive growth strategy as part of our 6 year strategic plan

GO	Our governing objective is to maximise long term intrinsic value for our continuing shareholders				
Vision	<b>To be the leading global supply chain manager and processor of agri-commodities by:</b> <ul style="list-style-type: none"> <li>• Serving growers and customers globally</li> <li>• Pursuing select scalable and attractive niches in upstream and value added processing; and</li> <li>• Capitalising on emerging markets expertise</li> </ul>				
Goals	<ul style="list-style-type: none"> <li>• Increase Intrinsic Value by 3-4x over the next two 3-year cycles</li> <li>• Pursue profitable growth &amp; improve margin structure by selective participation in attractive adjacencies (VAP &amp; upstream)</li> <li>• Maintain strategic flexibility for a wide range of economic scenarios (minimalist, balanced &amp; unconstrained)</li> <li>• Be widely recognised as a responsible and sustainable value creator</li> </ul>				
Strategic thrusts	<b>Invest to achieve integrated value chain leadership</b> Coffee, Edible Nuts, W. Africa Palm	<b>Selectively expand into attractive value chain adjacencies</b> Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, W. Africa Rubber	<b>Optimise and extract full value from core</b> Cotton, Sesame, Pulses, Timber	<b>Build on latent assets</b> Packaged food in W. Africa, Agri-financial services, Agri-inputs	<b>Downsize/exit/prune unattractive activities</b> Select origins
Enablers	<b>Excellence in execution</b> <ul style="list-style-type: none"> <li>• Program management</li> <li>• Value added processing and upstream adjacencies set-up</li> <li>• Complexity management</li> <li>• IT, risk &amp; compliance systems</li> </ul>	<b>M&amp;A effectiveness</b> <ul style="list-style-type: none"> <li>• M&amp;A pipeline</li> <li>• Due diligence capabilities</li> <li>• Best-in-class integration</li> </ul>	<b>Capital efficacy</b> <ul style="list-style-type: none"> <li>• Capital structure</li> <li>• Overhead and capital productivity</li> </ul>	<b>People &amp; Values</b> <ul style="list-style-type: none"> <li>• Global talent pool</li> <li>• Entrepreneurial culture</li> </ul>	



# One of the objectives of our new Strategy was to further **integrate selectively across the value chain** in excess return opportunities

		FY2009			FY2015			
		Upstream	Core	Midstream	Upstream	Core	Midstream	Downstream
Integrated value chain global leadership	Cashew		L			L	L	
	Peanuts					L		
	Almonds							
	Coffee		L			L		
	Palm <sup>1</sup>		L	L		L	L	L
Selective value chain expansion	Rubber <sup>1</sup>		L	L		L	L	
	Dairy							
	Spices & Dehydrates					L	L	
	Grains							
	Sugar							
	Cocoa		L			L		
	Rice		L			L		
Core optimization	Cotton		L			L		
	Sesame		L			L		
	Pulses							
	Timber							
Latent assets	CFS <sup>2</sup>							
	Packaged Foods							
	Agri inputs/Fertiliser							



% of PBT	Up-stream	Core + VAS	Mid/down-stream	Latent assets
FY2009	~5%	~75%	~15%	~5%
FY2015	~15%	~40%	~35%	~10%

**Point-of-Departure**

- Achieved leadership positions in **core, primary proc. and trading**
- Successfully replicated **core model across value chain**
- Made **select entries into midstream** value added processing

**Point-of-Arrival**

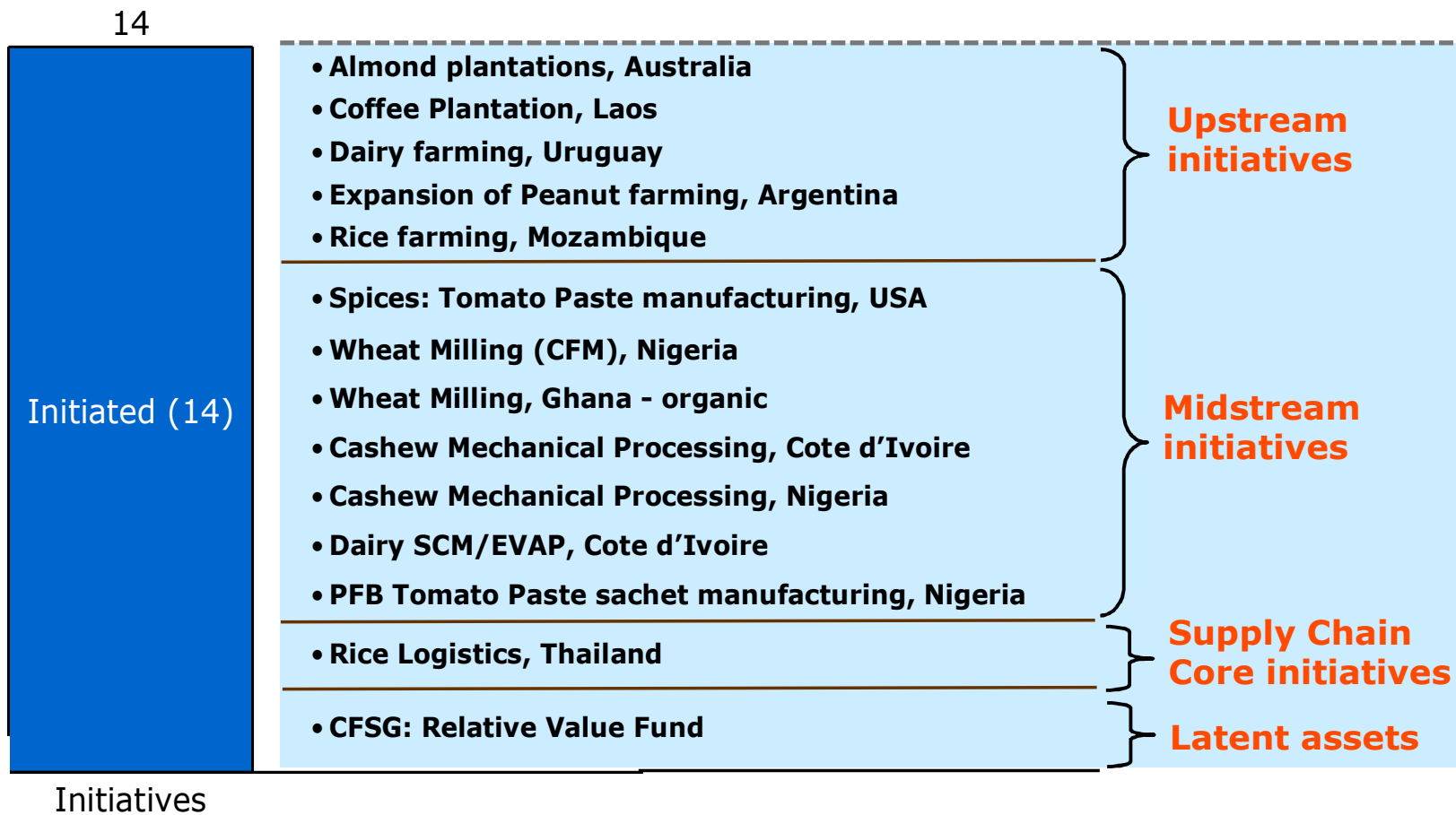
- Enhanced participation across **value chain niches**
- Reshaped portfolio** with a step-up margin and return profile improvement keeping in mind an expected capital constrained world
- Investments behind latent assets to **extract full value** from existing latent capabilities

Growth initiatives are well aligned with our portfolio strategy






# In the last 9 months, we have made strong progress in implementing the identified strategic initiatives

Initiated 14 of top 20 growth initiatives from 2009 plan ...



# Consolidated P&L Analysis: 9M FY2010

## Sales Volume: 5.161 million metric tons

-  Volume grew by 0.851 million metric tons
-  19.8% growth over 9M FY2009
-  Volume growth across all 4 segments

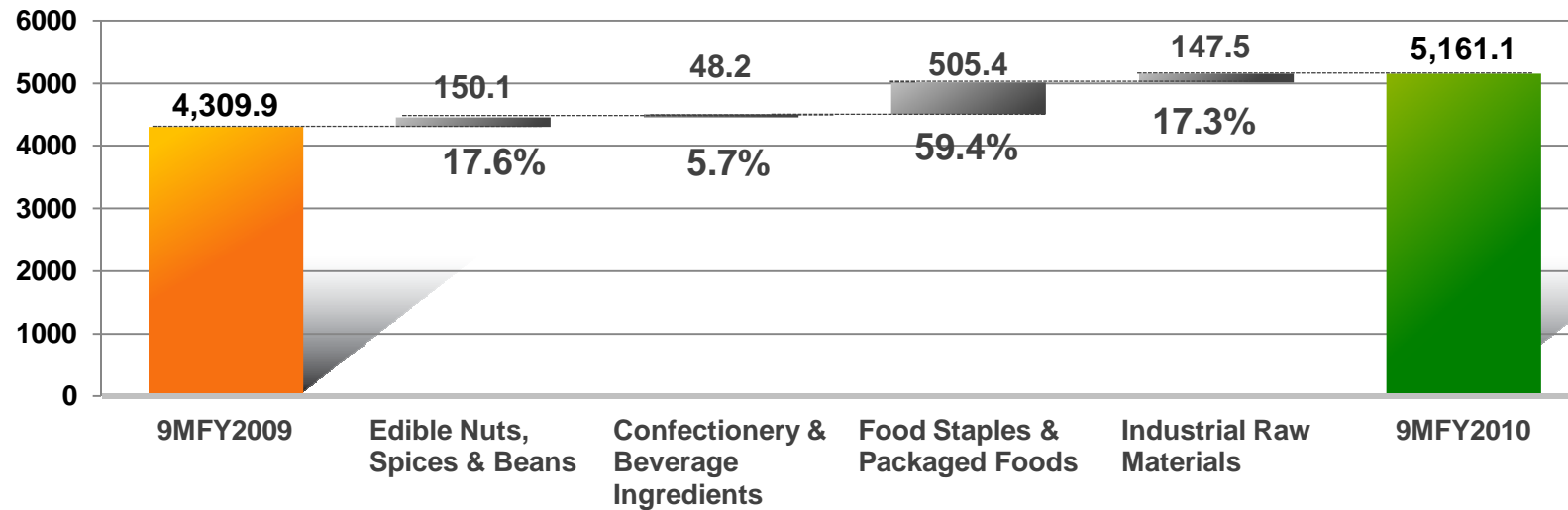
# Volumes

	9M FY2010 (MT/'000)	9M FY2009 (MT/'000)	% Change
Edible Nuts, Spices & Beans	768	618	24.3
Confectionery & Beverages Ingredients	1,013	965	5.0
Food Staples & Packaged Foods	2,413	1,907	26.5
<b>Total Food Category</b>	<b>4,194</b>	<b>3,490</b>	<b>20.2</b>
Industrial Raw Materials	967	819	18.0
<b>Consolidated Total</b>	<b>5,161.1</b>	<b>4,309.9</b>	<b>19.8</b>

# Sales Volume Growth: Segmental Contribution

Sales Volume  
(MT/000)

Sales Volume growth 19.8%, 0.851 mts



Growth Over 9M FY2009:

24.3%

5.0%

26.5%

18.0%



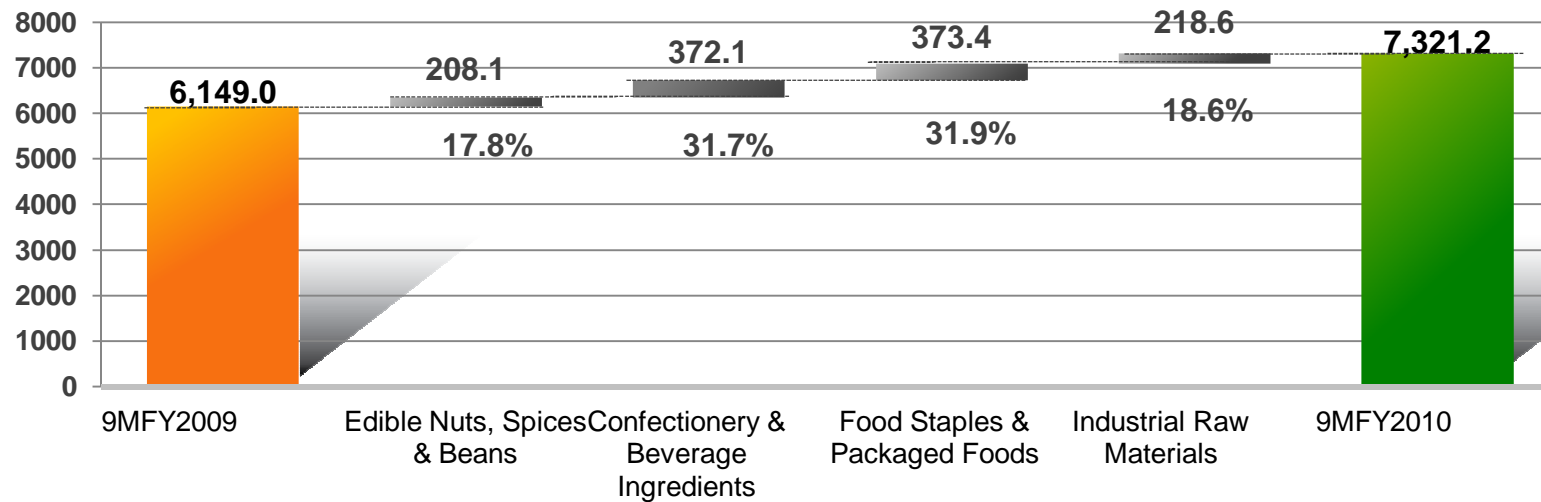
## Consolidated P&L Analysis: 9M FY2010

- ✿ **Total Sales Revenue: S\$7,321.2 million**
  - ✿ 19.1% growth over 9M FY2009
  - ✿ Revenue growth across all segments
  - ✿ Revenue growth driven by growth in volumes

# Sales Revenue Growth: Segmental Contribution

Sales growth 19.1%, S\$1,172.2 million

Sales Revenue  
(S\$ M)

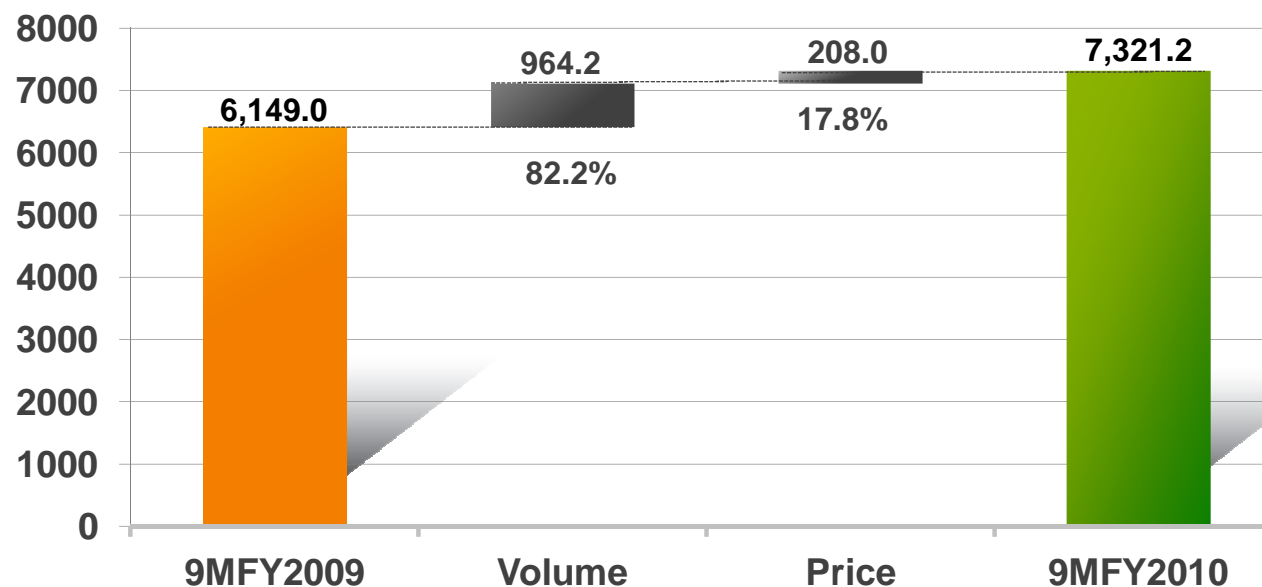


Growth Over 9M FY2009: 25.9% 14.4% 22.2% 20.2%

# Sales Revenue Growth: Sources




Sales Revenue  
(S\$ M)

Sales growth 19.1%, S\$1,172.2 million



## Consolidated P&L Analysis: 9M FY2010

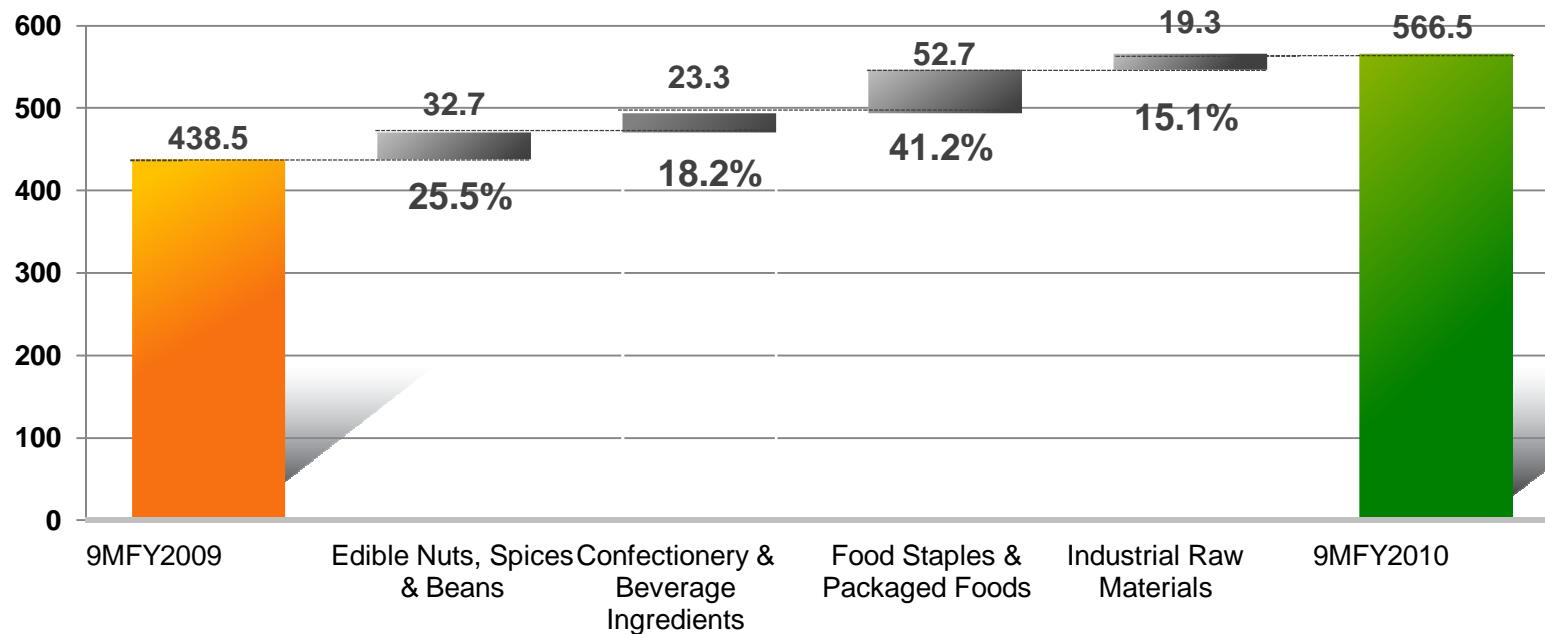
### **Net Contribution (NC): S\$566.5 million**

-  NC growth from S\$438.5m to S\$566.5m
-  29.2% growth over 9M FY2009
-  NC growth across all segments

# Net Contribution Growth: Segmental Share

NC growth 29.2%, S\$128.0 million

Net Contribution  
(S\$ M)



Growth Over 9M FY2009: 33.5% 18.9% 37.8% 24.8%



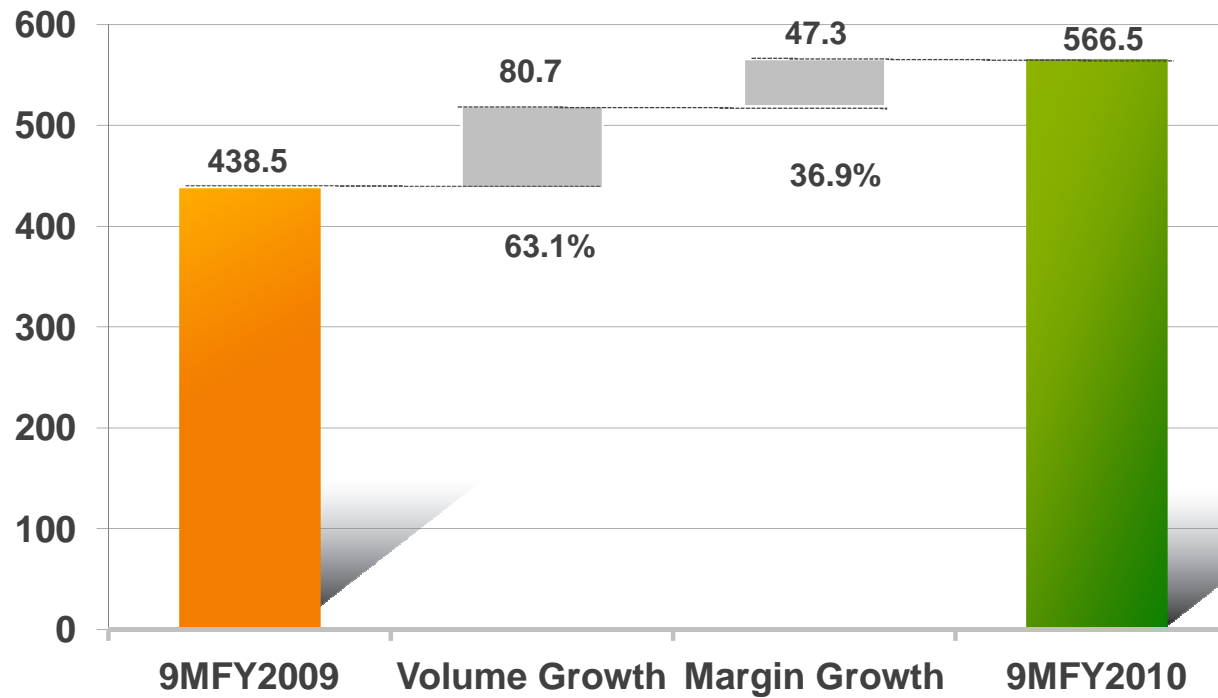
## Net Contribution Growth: Segmental Share

	Net Contribution			Net Contribution / MT		
	9MFY2010 S\$million	9MFY2009 S\$million	% change	9MFY2010 S\$	9MFY2009 S\$	% change
Edible Nuts, Spices & Beans	130.3	97.6	33.5	169.7	158.0	7.4
Confectionery & Beverages Ingredients	146.8	123.5	18.9	144.8	127.9	13.2
Food Staples & Packaged Foods	192.2	139.5	37.8	79.7	73.1	9.0
Industrial Raw Materials	97.2	77.9	24.8	100.6	95.1	5.8
<b>Consolidated Total</b>	<b>566.5</b>	<b>438.5</b>	<b>29.2</b>	<b>109.8</b>	<b>101.7</b>	<b>7.9</b>

# Net Contribution Growth: Sources

NC growth 29.2%, S\$128.0 million

Net Contribution  
(S\$ M)



## 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:

	9MFY2010 S\$'000	Cumulative S\$'000	Future Charge S\$'000	Total S\$'000
ESSS	-	2,457	-	2,457
ESOS	8,697	24,005	39,618	63,623
<b>Total</b>	<b>8,697</b>	<b>26,462</b>	<b>39,618</b>	<b>66,080</b>

## Consolidated P&L Analysis: 9M FY2010

 **SG&A** increased by 24.7% to S\$337.3 million in  
9M FY2010

	9M FY2010	9M FY2009	Change
SG&A (S\$million)	337.3	270.4	24.7%
SG&A/Sales Ratio	4.6%	4.4%	4.8%

# Consolidated P&L Analysis: 9M FY2010

## Profit After Tax (PAT): S\$267.2 million

- 30.1% growth over 9M FY2009

## Profit After Tax (excluding exceptional gains): S\$170.6 million

- 36.7% growth over 9M FY2009

## Earnings per Share (EPS)

- 13.3 cent/share in 9M FY2010
- 11.3% growth over 9M FY2009



# Results: 9M FY2010

## Segmental Analysis



# Segmental Analysis 9M FY2010: Summary

## Olam Consolidated

- Turnover **S\$7,321.2 million**
- Volume **5.161mmts**
- NC **S\$566.5 m**
- NPAT **S\$267.2 m**

### Edible Nuts, Spices & Beans

- Turnover **S\$1,010.7m**
- Volume **767.8 mmts**
- NC **\$130.3 m**

- NC Share **23.0%**



### Confectionery & Beverage Ingredients

- Turnover **S\$2,956.9m**
- Volume **1,013.6mmts**
- NC **S\$146.8 m**

- NC Share **25.9%**



### Food Staples & Packaged Foods

- Turnover **S\$2,053.3m**
- Volume **2,412.8mmts**
- NC **S\$192.2 m**

- NC Share **33.9%**



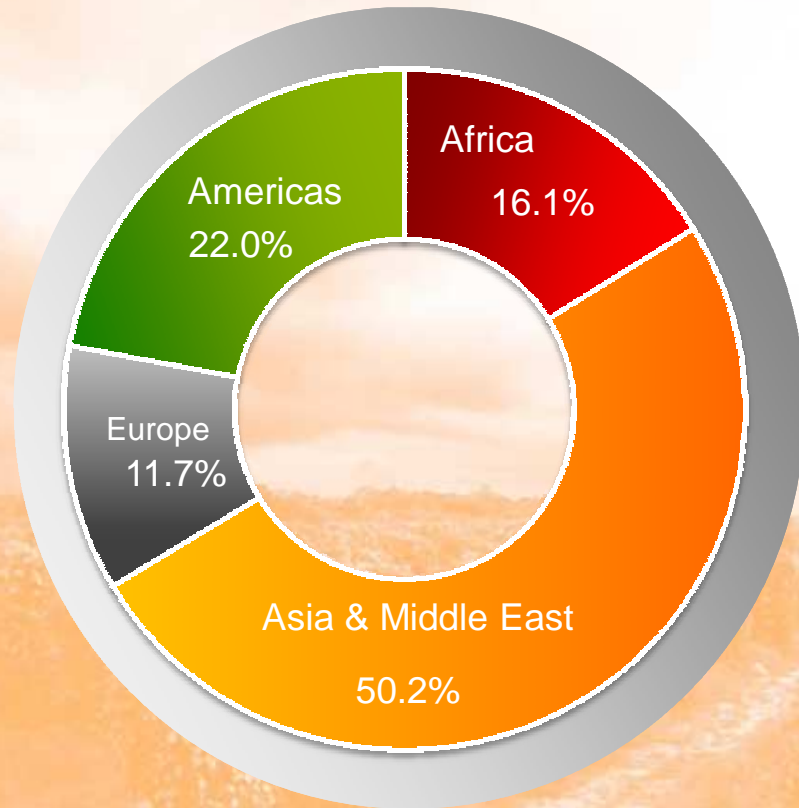
### Industrial Raw Materials

- Turnover **S\$1,300.3m**
- Volume **966.9mmts**
- NC **S\$97.2 m**

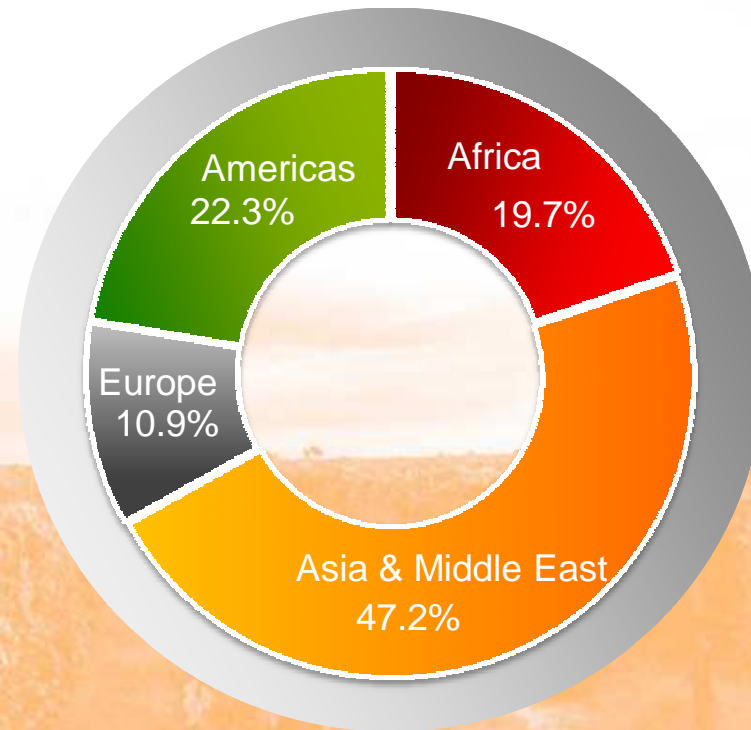
- NC Share **17.2%**



# Well Diversified Sourcing: Origins

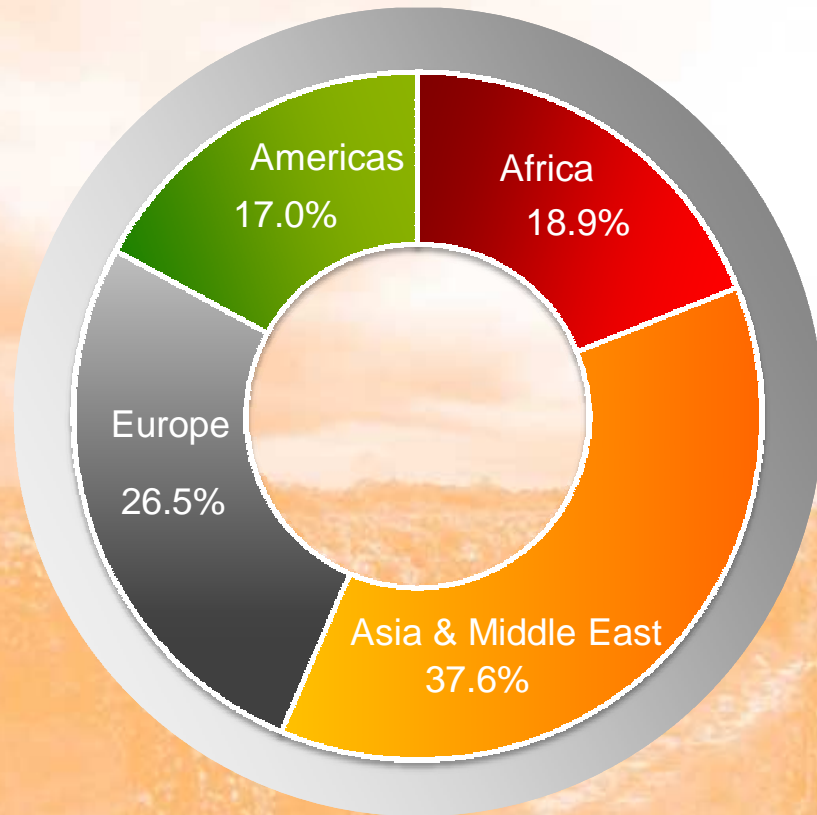


**Sourcing Volume  
9M FY2010**

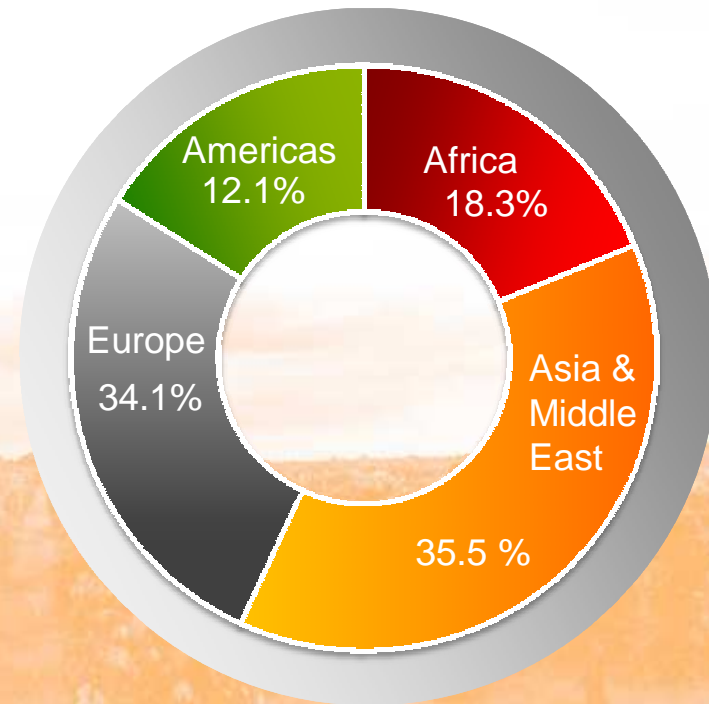


**Sourcing Volume  
9M FY2009**

# Well Diversified Sales: Markets



**Sales Turnover  
9M FY2010**



**Sales Turnover  
9M FY2009**

# Results: 9M FY2010

## Balance Sheet Analysis

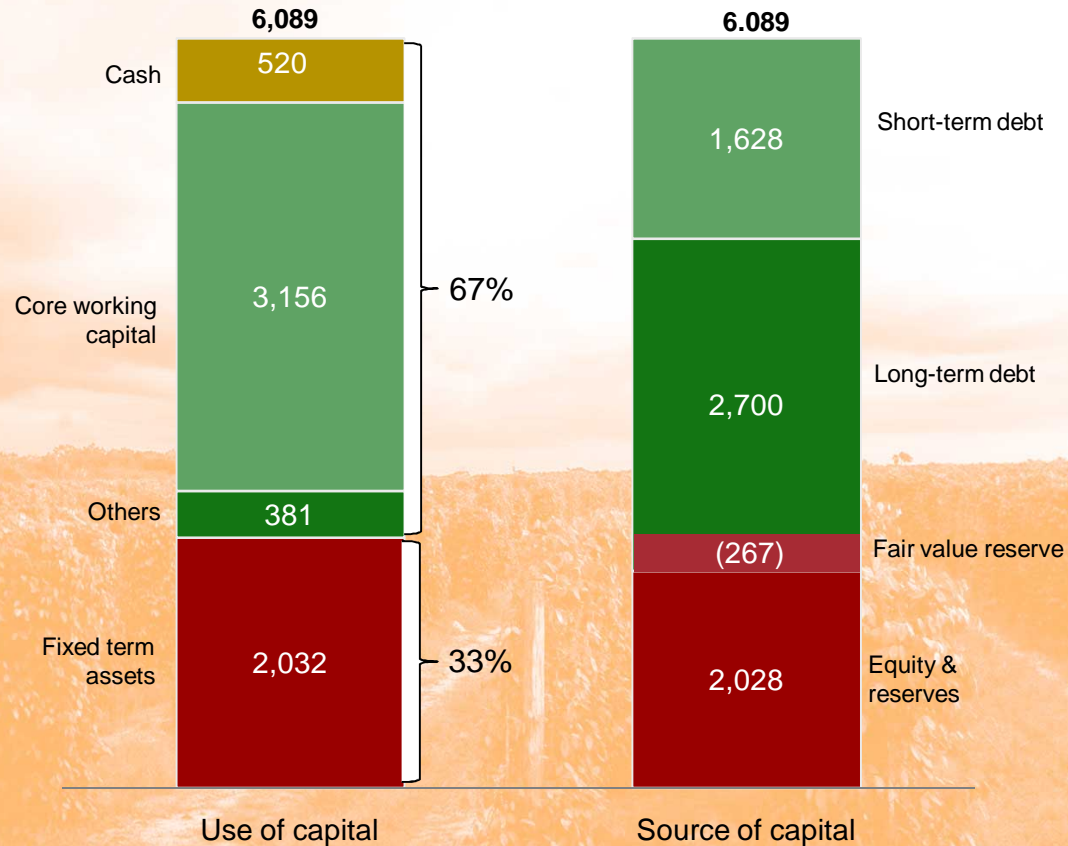




# Balance Sheet Analysis: Summary

## Prudent capital management

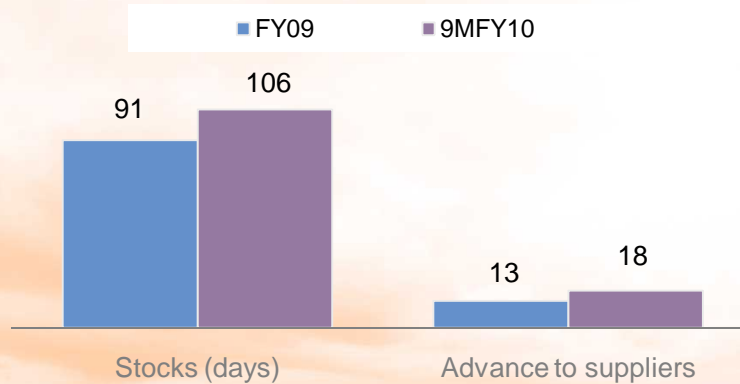
In S\$mm, as of Mar '10



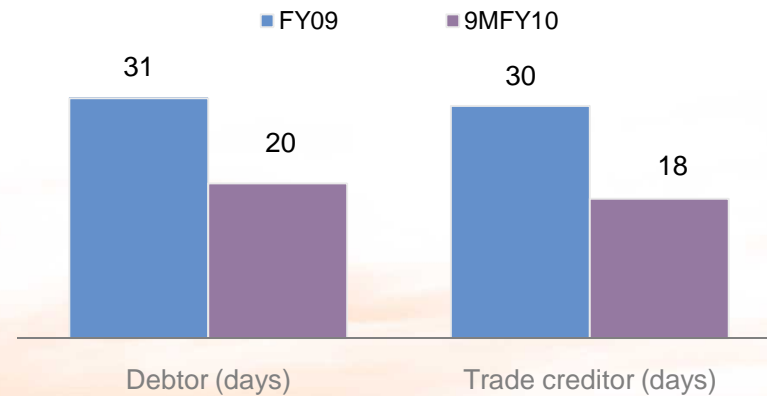
- Investment in fixed term assets funded through permanent capital
- Investment in working capital funded through a combination of long term and short-term debt

# Sound working capital metrics

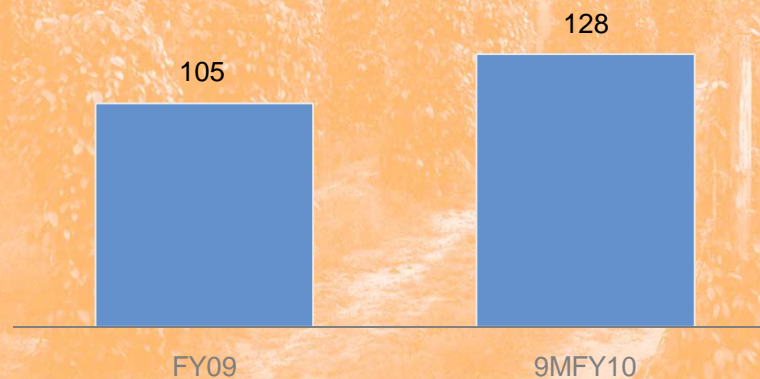
## Stock (days) and advance to suppliers (days)



## Debtor (days) and trade creditor (days)



## Cash-to-cash cycle (days)



## Successful working capital management

- ▶ **Stock days increase due to higher value of inventories** (on account of substantial increase in price of cocoa and cotton during the period)
- ▶ **Careful monitoring of debtors, as well as trade creditors and stock days** to manage our cash cycle time
- ▶ **Operated with large margin of safety on working capital** to keep utilization rate at around 60–65% of available credit lines through the course of FY09

## Balance Sheet Analysis: Inventories

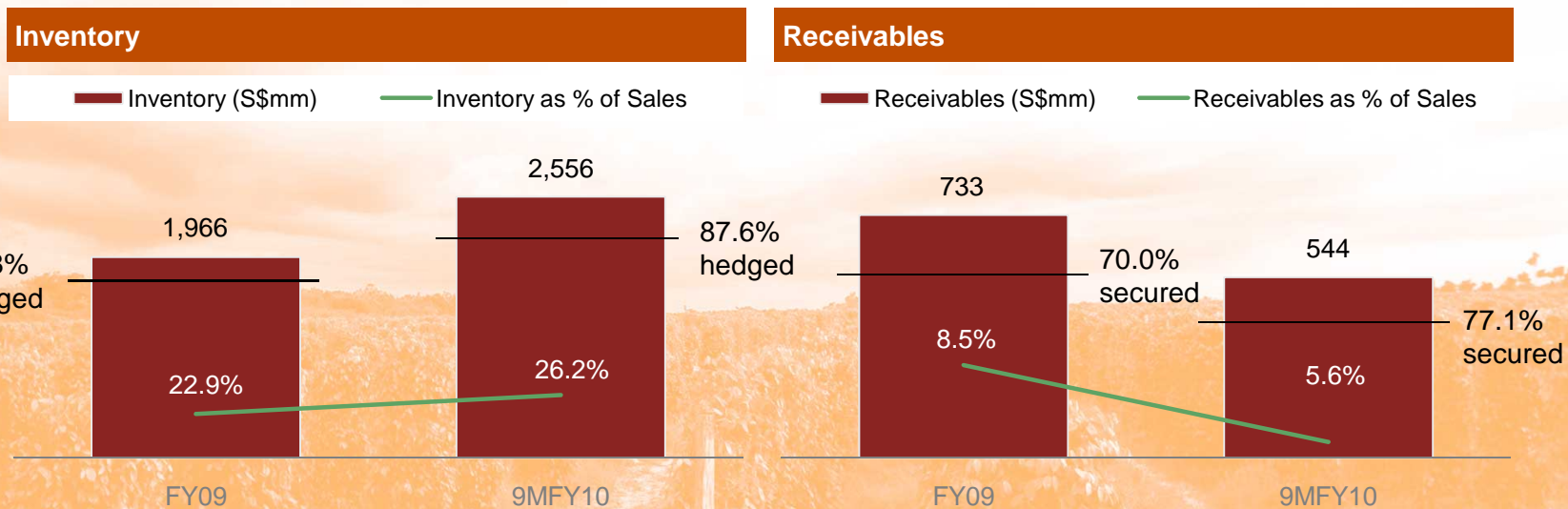
(in S\$ million)	9MFY2010	FY2009	Increase / Decrease
Edible Nuts, Spices & Beans	293.1	282.3	10.8
Confectionery & Beverage Ingredients	1,354.2	901.8	452.4
Food Staples & Packaged Foods	569.5	459.8	109.7
Industrial Raw Materials	339.6	322.5	17.1
<b>Total</b>	<b>2,556.4</b>	<b>1,966.4</b>	<b>590.0</b>

**87.6% of inventories sold forward or hedged**



# Increase in working capital due to strong business growth and commodity price increases

- ▶ Primary driver is continued growth in volume of business
- ▶ Commodity price increases drive inventory levels which in turn drives receivables and overall working capital requirements



▶ **Most of Olam's inventories are liquid and readily marketable:**

- Ability to hedge price risk
- Physically deliverable to clients

▶ **Most of Olam's receivables are secured:**

- Backed by lines of credit or document of title
- Diversified list of customers
- No additional provision for bad debts made in 9M FY0910

# Conservative financial profile with strong liquidity

## Strong liquidity and credit availability

In S\$mm, as of Mar '10



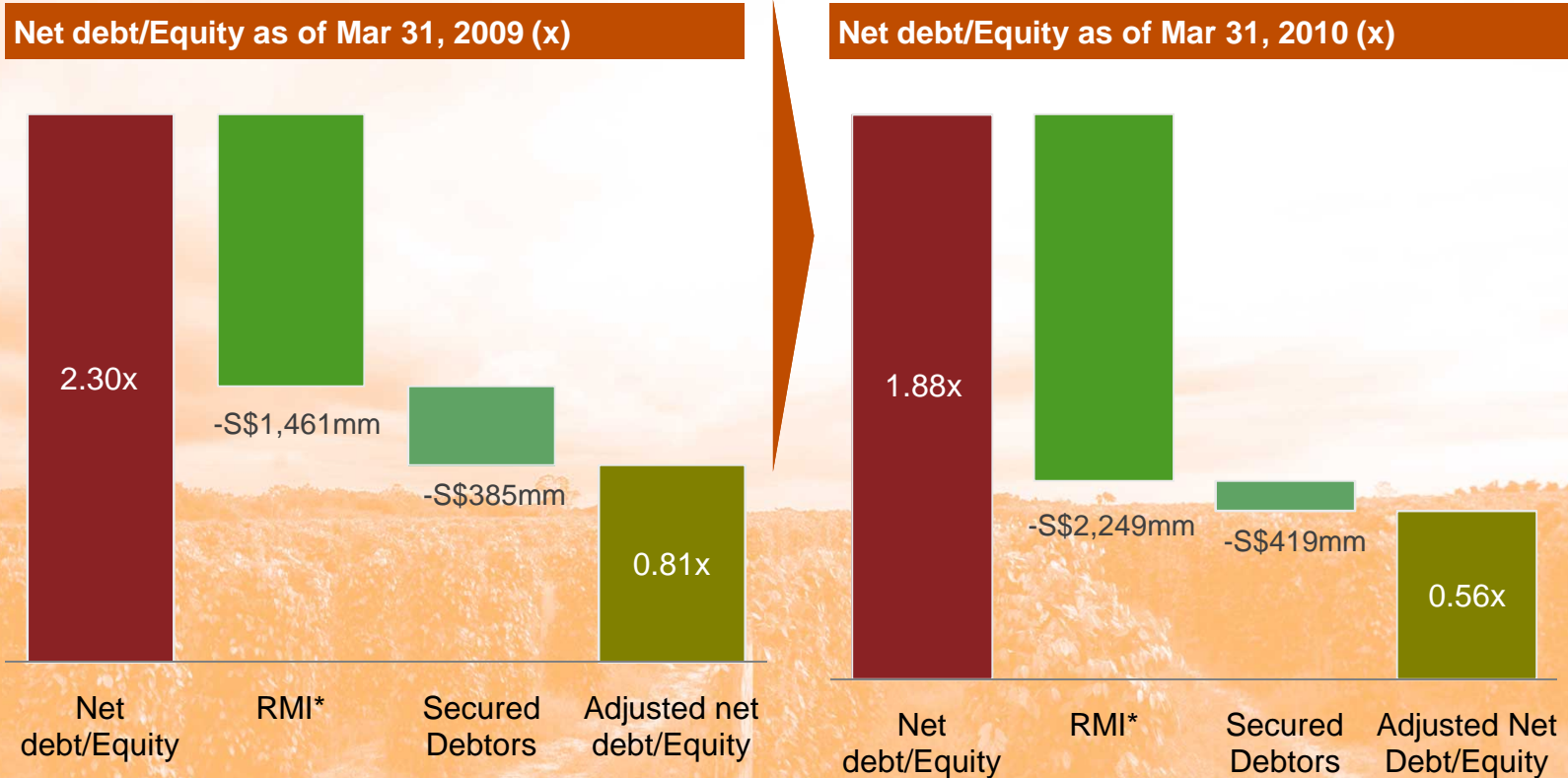
Olam has practiced prudent capital management to achieve sustainable growth

## Balance sheet Analysis: Gearing

	9M FY2010	FY2009	Change
<b>Leverage (x)</b>			
Gross Debt to Equity (x)	2.13	2.59	0.46
Net Debt to Equity (x)	1.88	2.15	0.27
<b>Liquidity</b>			
Cash to Sales (%)	5.33	6.22	(0.89)
Cash & Cash Equivalents	520.5 m	533.8 m	(13.3)
Margin Deposit with Brokers	92.3 m	64.8 m	27.5



# Conservative capital structure and financial policies

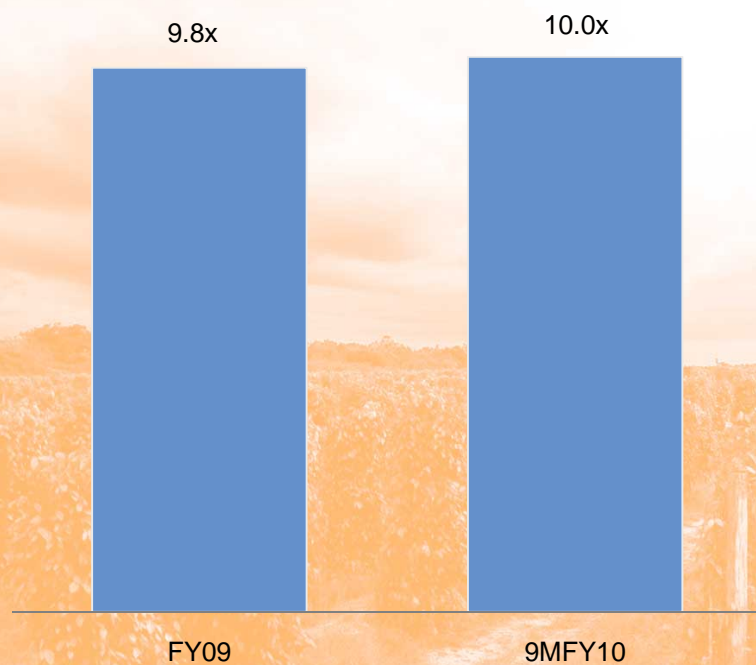


Note: Equity is before fair value adjustment reserves  
 \* RMI: inventories that are liquid, hedged, or sold forward

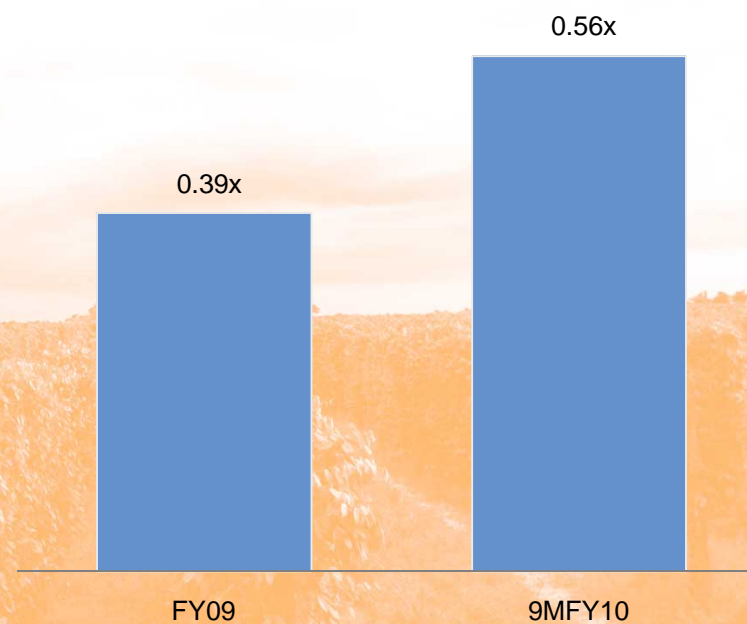
Olam's capital management objectives are to achieve sustainable growth and maximize return to shareholders

# Conservative financial profile with strong liquidity

Interest coverage ratio<sup>1</sup> (x)



Net debt<sup>2</sup>/Equity<sup>3</sup> (x)



1. Interest coverage ratio:  $(\text{EBITDA} - \text{Interest expense passed on to customers}) / (\text{Total interest expense} - \text{interest expense passed on to customers})$
2. Adjusted net debt: Total debt – liquid assets
3. Before fair value adjustment reserves

# Operating cash flows adjusted for liquid inventories and secured receivables

Cash flow summary (\$mm)		
As reported	9MFY09	9MFY10
<b>Operating cash flow before working capital changes</b>	<b>311</b>	<b>380</b>
<b>Changes in working capital</b>	<b>(16)</b>	<b>(1,072)</b>
(Increase)/decrease in inventories	77	(659)
Decrease/(increase) in receivables	254	(14)
Decrease/(increase) in advance payments to suppliers	(83)	(170)
Increase/(decrease) in payables	(264)	(229)
<b>Operating cash flow after working capital changes</b>	<b>295</b>	<b>(692)</b>

Cash flow summary (\$mm)		
As adjusted	9MFY09	9MFY10
<b>Operating cash flow after working capital changes</b>	<b>295</b>	<b>(692)</b>
Adjustment for (decrease)/increase in RMI <sup>1</sup>	(82)	593
Adjustment for decrease in secured receivables <sup>2</sup>	(103)	(93)
<b>Adjusted Operating cash flow after working capital changes</b>	<b>110</b>	<b>(192)</b>

1. RMI: inventories that are liquid, hedged, or sold forward
2. Secured receivables: receivables secured by letters of credit or documents of title

## Financial Summary

- ❖ Volume grew by 19.8% to 5.161 million MT
- ❖ Net Contribution grew by 29.2% to S\$566.5 million
- ❖ Profit after tax (excluding exceptional gains) grew by 36.7% to S\$170.6 million
- ❖ Profit after tax grew by 30.1% to S\$267.2 million
- ❖ Earnings per Share (EPS) increased by 11.3% to 13.3cents per share.
- ❖ Strong balance sheet – additional capital of US\$1.8 billion raised during 9M FY2010.



**Thank You**