

**Olam International Limited**

**Acquisition of  
Britannia Food Ingredients and  
Britannia Storage and Distribution**

31 January 2011 | Singapore



**DELIVERING  
OUR STRATEGY**

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This presentation may contain statements regarding the business of Olam International Limited ('Olam') 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.

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# Presentation Outline

- ✿ Transaction Overview
- ✿ Investment Rationale
- ✿ Overview of Operations and Assets
- ✿ Overview of Butter and Fats Market
- ✿ Key Financials
- ✿ Summary
- ✿ Q&A

# Presentation Outline

## **Transaction Overview**

 Investment Rationale

 Overview of Operations and Assets

 Overview of Butter and Fats Market

 Key Financials

 Summary

 Q&A

# Transaction Overview

## Transaction Overview

- ✿ Acquisition of **100% of Britannia Food Ingredients** Holdings (BFI) & **Britannia Storage and Distribution** (BSD) from its owners/management team for a combined Enterprise Value (EV) for **£33.5m**.
- ✿ Olam will initially acquire 85% of BFI and 100% of BSD and then acquire the remaining 15% interest in BFIH within the next 3 years at a pre-agreed valuation.
- ✿ Transaction is earnings and value accretive from 1<sup>st</sup> full year post consolidation.

## Target Description

- ✿ BFI is the **leading independent supplier of speciality fats** to the confectionery and snack food industries **in the United Kingdom**.
- ✿ Product categories include **Cocoa Butter, Cocoa Butter Equivalents, Filling Fats, Reduced Saturate Frying Oils and Dairy Butter** – all these ingredients are required by confectionery, biscuit and food manufacturing companies.
- ✿ **Accredited ingredient supplier** to the leading confectionery and food majors with an **operating history of 15 years**.
- ✿ Recognised for its brand of **R&D, innovation, customisation**, quality and service.
- ✿ Possesses significant expertise in **developing innovative product formulations** with customers, thereby building a **strong brand and franchise** in the industry.
- ✿ BSD is a logistics service provider to the confectionery fats industry, managing warehousing facilities, tank storage and trucking services.

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# Investment Rationale

## Strategic Rationale

- ✿ “On-strategy” for Olam Cocoa:
  - ✿ In line with the continuous execution of Olam’s global strategy to integrate its supply chain into value added midstream processing, including intermediate cocoa ingredients and serve the growing requirements of the global chocolate industry.
  - ✿ Enables us to increase our ability to provide traceable and where required a certified product to our customers.
  - ✿ One of the largest block butter traders from independent factories in Africa, Asia and South America. This acquisition will enable us to increase liquidity and margins.
  - ✿ Provide additional liquidity for block cocoa butter processed in our existing and planned factories in Nigeria and Cote d’Ivoire.

# Investment Rationale (cont'd)

## Strategic Fit

- ✿ BFI fits strategically into Olam's Cocoa business:
  - ✿ BFI's **ability to process natural block butter into deodourised liquid butter in certified facilities and deliver in required specifications to customers is a key requirement for the chocolate industry.**
  - ✿ BFI will significantly improve Olam's position in the cocoa ingredients space with its **strong presence in the United Kingdom and European specialty fats business.**
  - ✿ Olam will **provide BFIH with marketing, hedging and ratio management expertise, market information and analysis as well as risk management solutions to their customers.**
- ✿ **Olam-BFI combination:**
  - ✿ Provides complete control of the full supply chain from **bean sourcing (from traceable, certified sources), origin processing, block butter, liquid butter** delivery to customers according to users' specifications.
  - ✿ **Offers synergies on customer sharing and product development with Olam's Sheanut, Edible Nuts, Palm and Dairy businesses.**
- ✿ **Strong management team at BFI** augments the management team at Olam.



# Investment Rationale : BFI Senior Management Team

## Managing Director: Phillip Nash

- ✿ Co-founder of BFI, with extensive experience in the Chocolate and Oils/Fats Industries.
- ✿ Prior to establishing BFI, Phillip Nash worked in Leadership positions in Procter & Gamble, Mars, Karlshamns (AAK) and Anglia Oils.

## Financial Director: Andy Samuel

- ✿ A Chartered Accountant and Company Secretary, Andy Samuel joined Britannia in 1999.
- ✿ Prior to joining BFI, he was the Head of Finance at the Storeylake Management Group and was involved with new business start-ups.

## Commercial Director: Bleddyn Young

- ✿ Appointed to the Board of BFI in 2006, Bleddyn Young has extensive knowledge of the food Industry and responsible for sales, marketing and purchasing.
- ✿ Joined BFI in 2003, having previously worked in Hazelwoods Foods in various commercial positions in food manufacturing.

## Chief Product R&D Manager Dr Jens Kristot

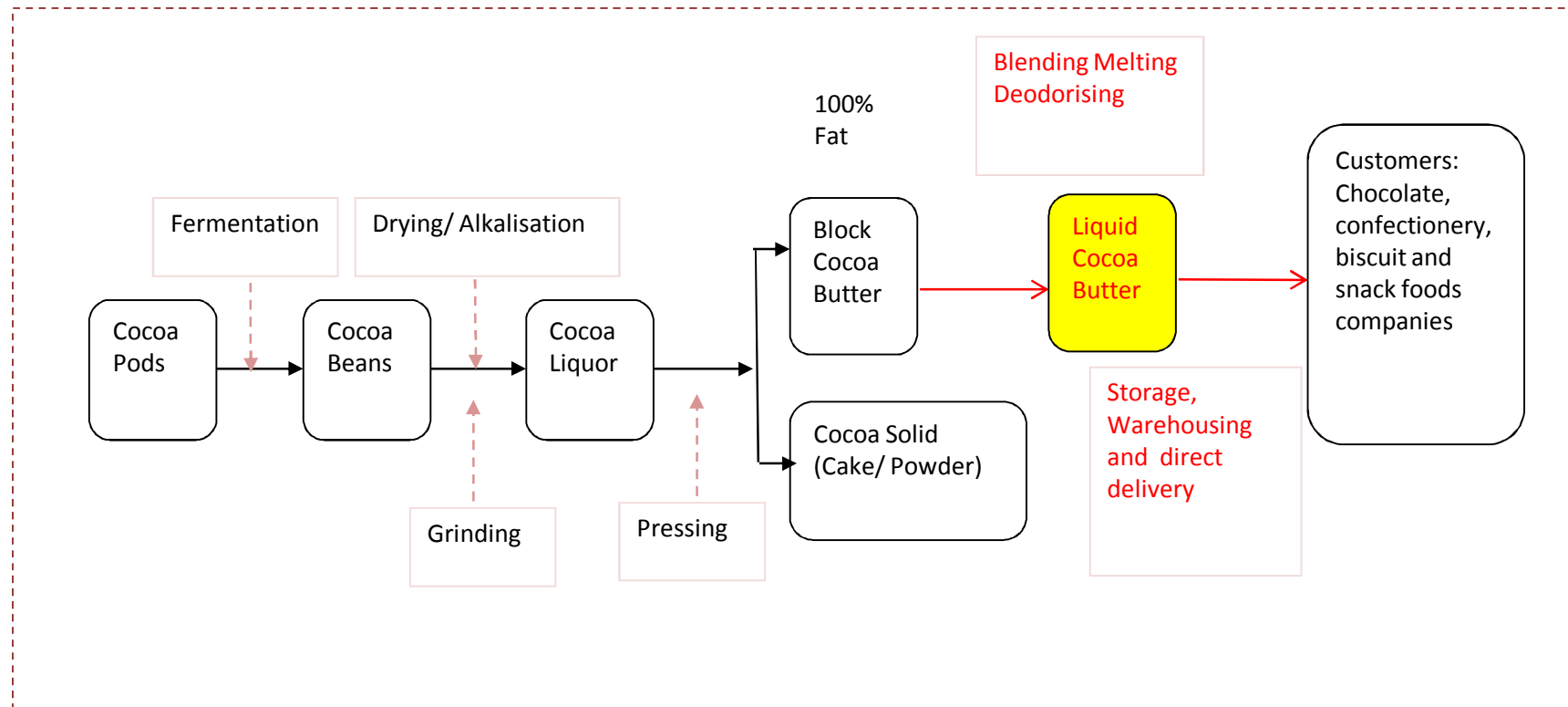
- ✿ Over a decade of experience in product development in the food industry.
- ✿ Prior to joining BFI, Dr Jens Kristot has worked in R&D roles in Pura Foods United Kingdom.

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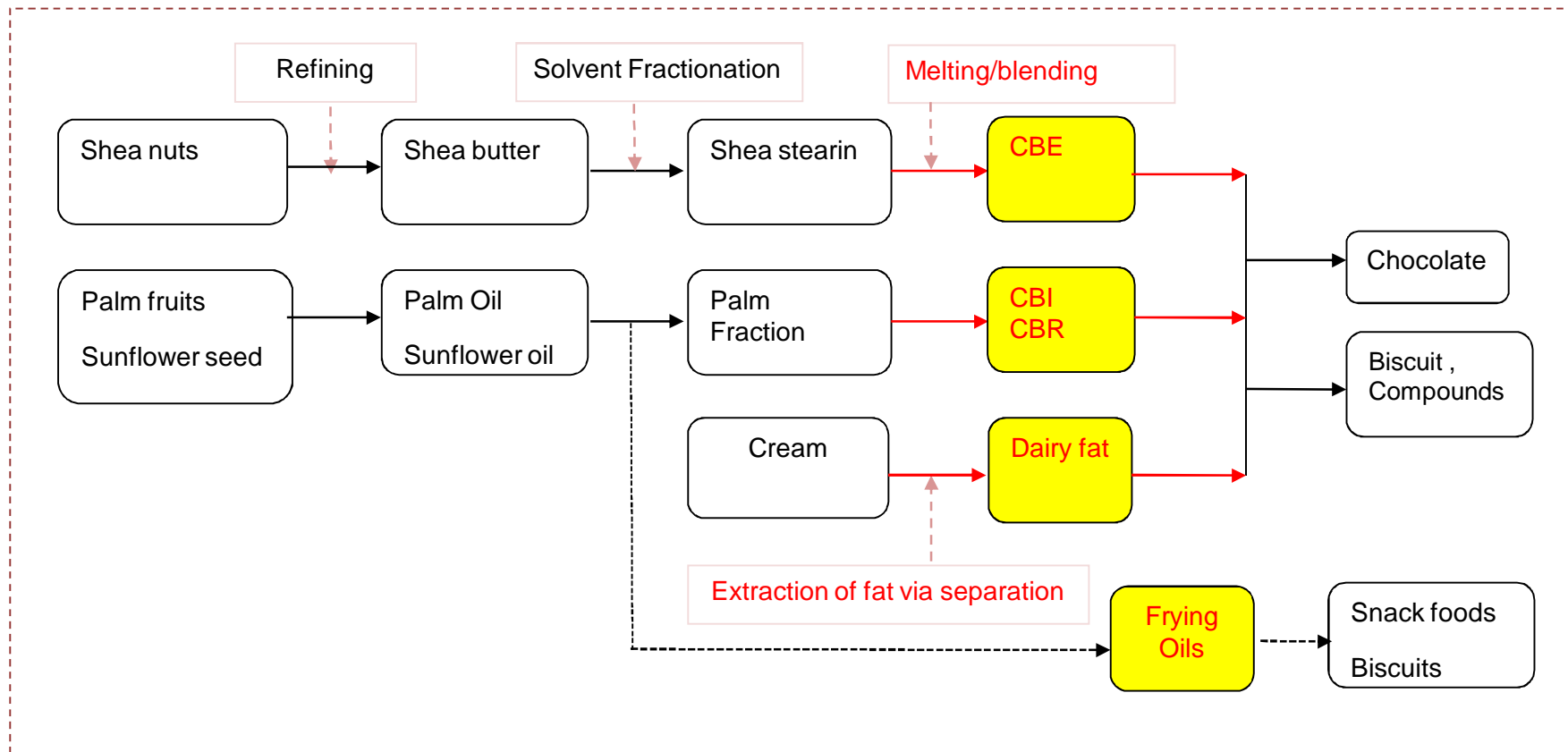
# Overview of Operations

## Cocoa supply chain: Role of BFI (in red)



# Overview of Operations

## Speciality Fats supply chain: Role of BFI (in red)



# Overview of Assets

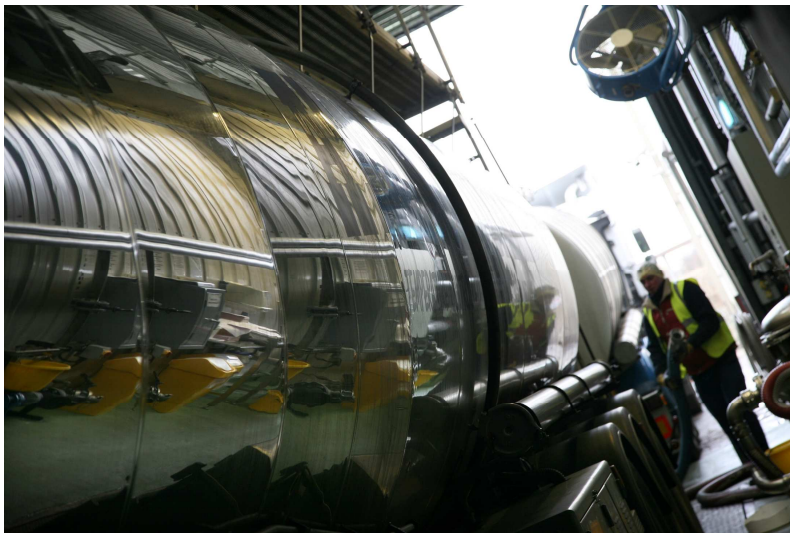
## Assets Description

- ✿ Key assets comprise:
  - ✿ Melting plants, blending and refining facilities, with a total capacity of 70,000 metric tonnes p.a., located close to the port of Goole in Yorkshire, England
  - ✿ Butter oil plant to extract fat from dairy products
  - ✿ Logistics: Warehousing, tank storage, modern packing, trucks
  - ✿ R&D and analytical laboratories: supported by strong R&D team, flavour tasting panel
  - ✿ BFIH facilities are located on a 7-acre plot of land that provides significant scope for expansion
- ✿ Food Industry Certifications obtained that are required for Processing:
  - ✿ ISO 9000-2000, HACCP
  - ✿ British Retail Consortium Global Food Standard (BRC)
  - ✿ Kosher, Halal
- ✿ Memberships:
  - ✿ Round Table for Sustainable Palm Oil (RSPO)
  - ✿ World Cocoa Foundation (WCF)

## Overview of Assets (cont'd)



Above: Blocks of cocoa butter: Olam is one of the largest block butter supply chain managers from independent factories in Africa, Asia and South America.



Left and above: Liquid butter storage and tankers managed by BSD



## Overview of Assets (cont'd)



Above: Dairy fat plant; Below: BFIH liquid tanker



Above: Fat packing section; Below: R&D and analytical laboratories: supported by strong R&D team, flavour tasting panel.



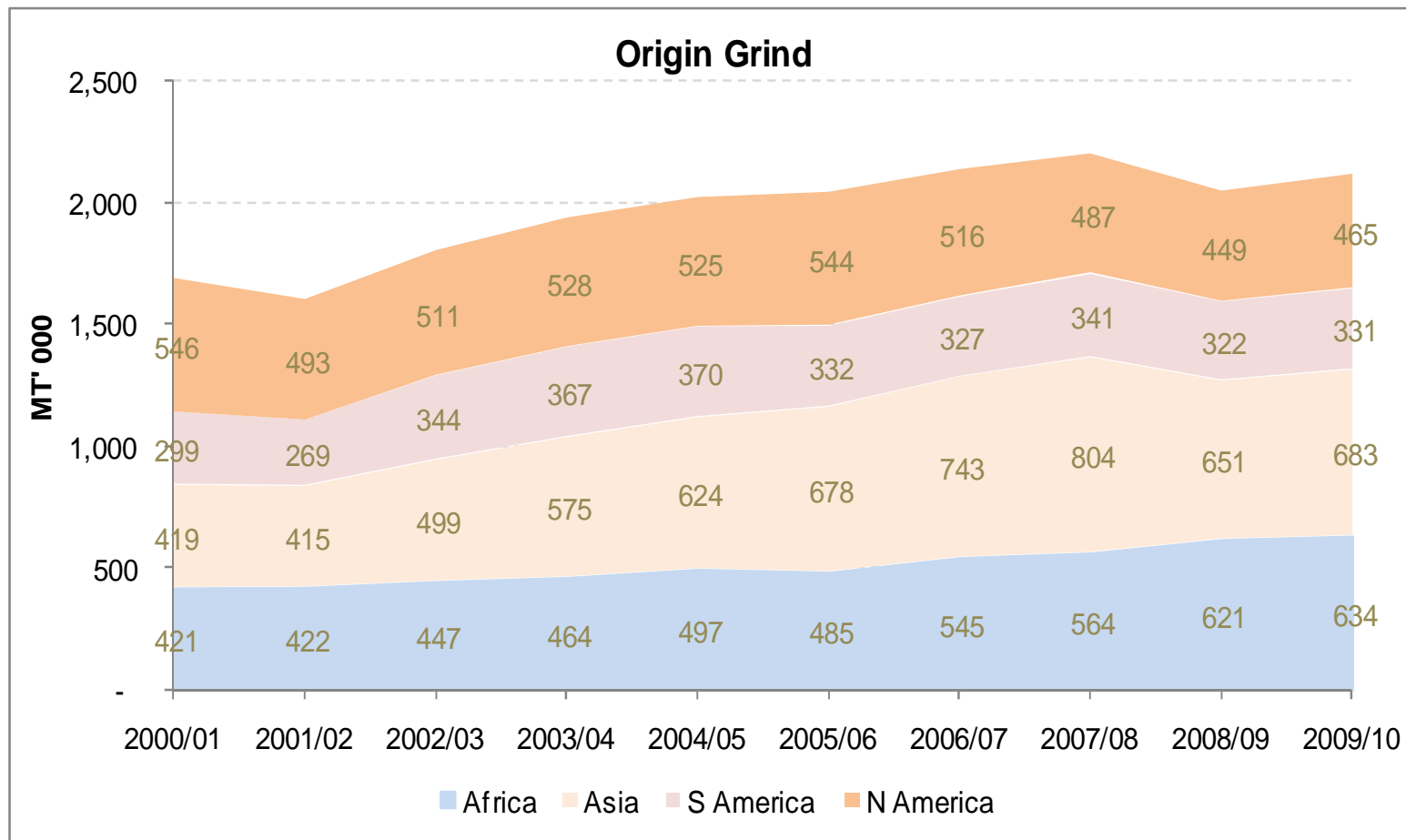
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# Overview of Butter Market : Increase in origin grinds

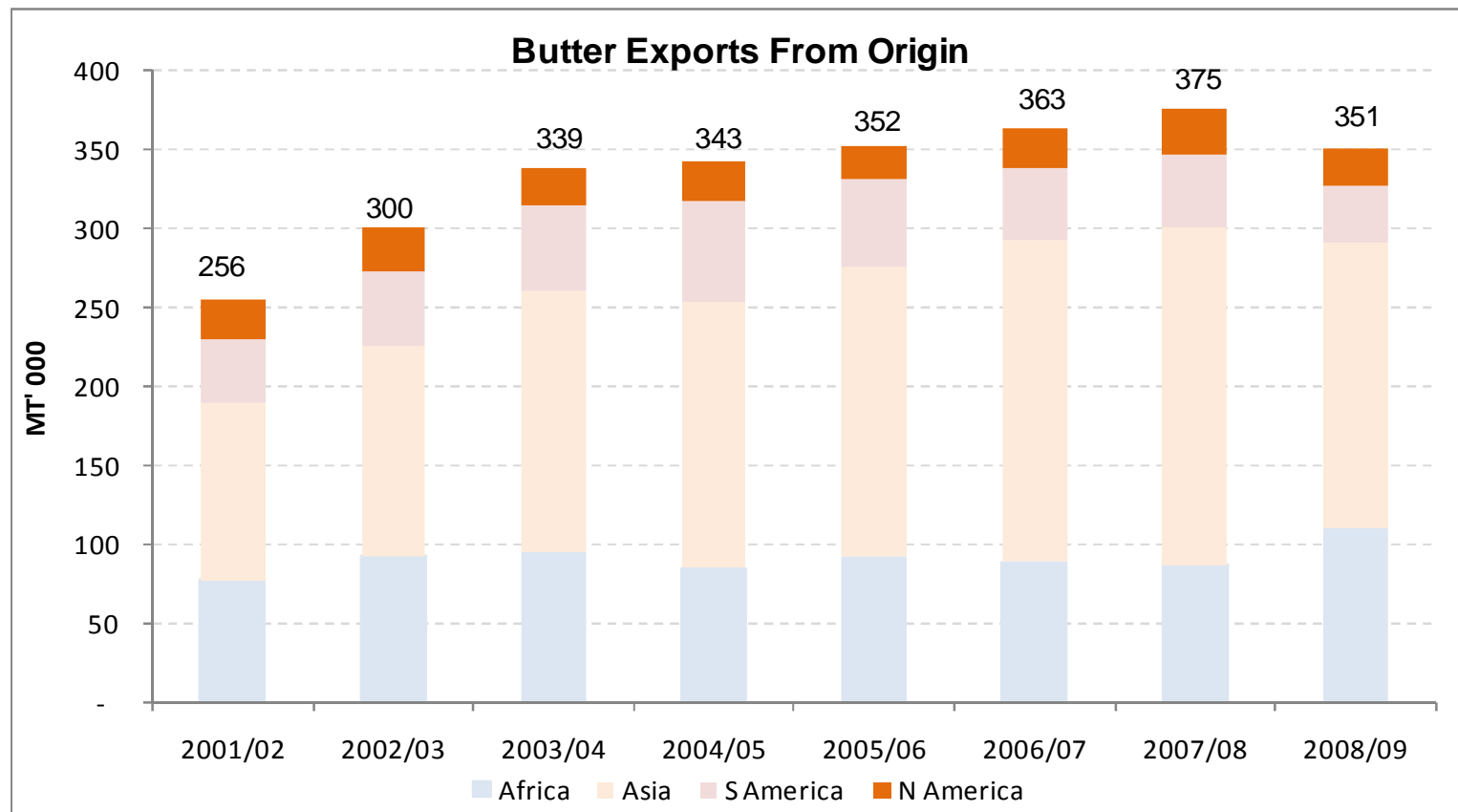
- ✿ Shift in cocoa processing activities to origin countries has resulted in origin grinds increasing gradually, especially from Africa



Source: International Cocoa Organisation (ICCO)

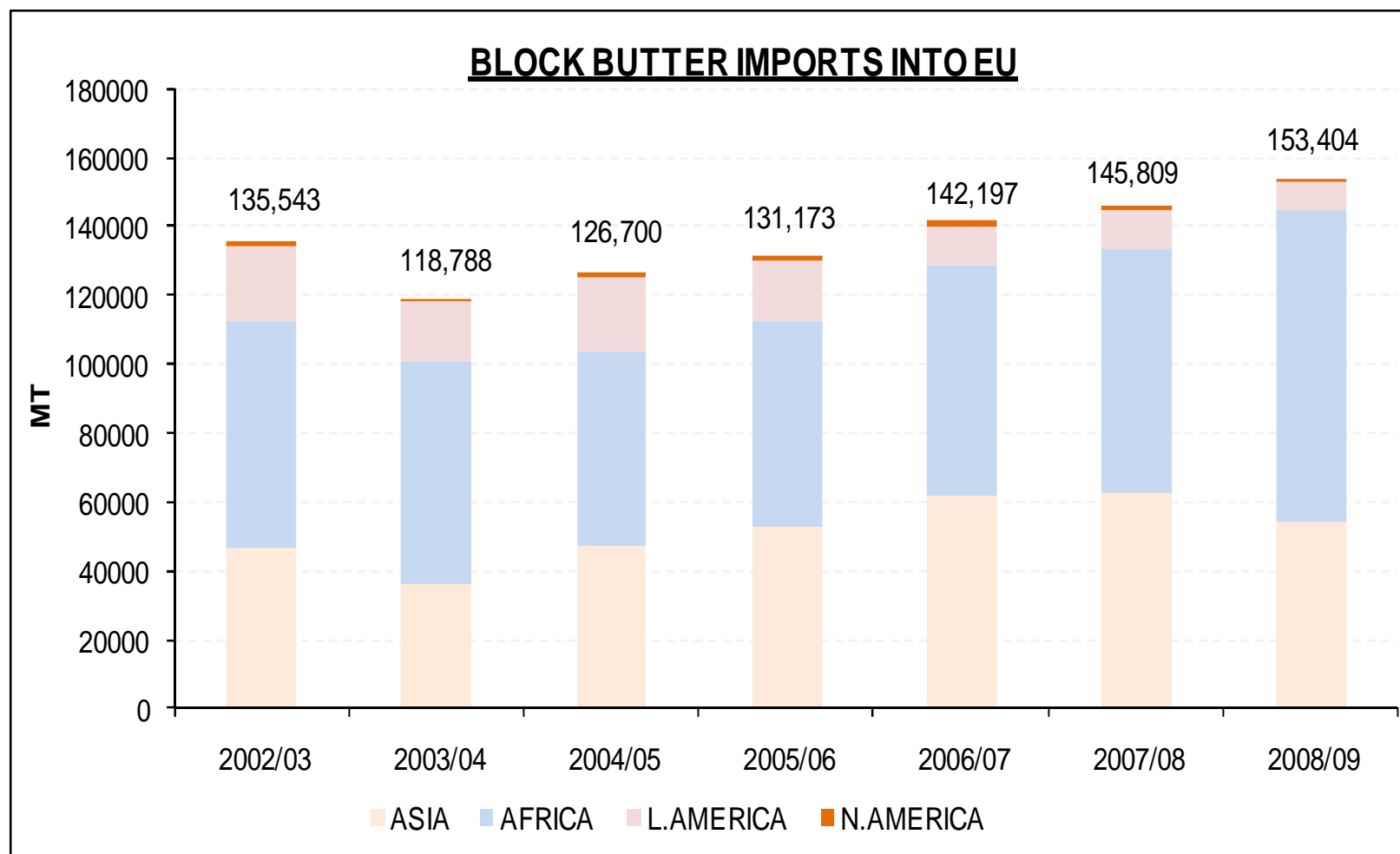
## Overview of Butter Market : Increase in butter exports from origins

- Increased cocoa processing activities in origin countries has led to increase in origin butter production and therefore increased exports of block butter to consuming markets in Europe and US



Source: International Cocoa Organisation (ICCO)

## Overview of Butter Market : Increase in butter imports from origins into EU



Source: International Cocoa Organisation (ICCO)

# Overview of United Kingdom and Europe Butter Market

## United Kingdom Butter Market

- ✿ 3<sup>rd</sup> largest block butter importer in the EU after Netherlands and France
- ✿ United Kingdom Butter Market: 60,000 MT
- ✿ Closure of grinding factories and consolidation of end-users would reduce availability of locally produced butter and increase dependence on butter imports
- ✿ **BFI is a leading supplier of liquid butter and fats into the United Kingdom market.**

## Europe Butter Market

- ✿ Europe Butter Market: 500,000 MT
- ✿ **BFI is an approved supplier to the European chocolate industry.**

# Overview of Alternative Fats Market

- ✿ Alternative fats (CBE/CBS/CBI, Filling Fats) are primary ingredients in compound chocolates and confectionery.
- ✿ European Commission directive 2000/36 permits the addition of up to 5% vegetable fats other than cocoa butter in Chocolate.
- ✿ Emerging markets in Eastern Europe, South East Asia are seeing strong growth in compound confectionery consumption produced from cocoa powder and alternate fat blends.
- ✿ BFI is a supplier to compound producers and will complement Olam's cocoa powder business.

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# Key Financials

- ✿ Transaction to be financed through internal accruals
- ✿ Transaction to be both value and earnings accretive from 1<sup>st</sup> full year post consolidation
- ✿ BFI grossed turnover of £119m in FY2010 and is expected to deliver
  - ✿ Revenues of £150m
  - ✿ Equity IRR of 39%
  - ✿ Steady state ROE of 34%

## Summary

- ❖ Acquisition of leading independent confectionery fats and liquid butter supplier in the United Kingdom
- ❖ Strategic fit with Olam Cocoa strategy and synergies with other Olam businesses, enhancing margins
- ❖ Opportunity to participate in the growing origin butter imports into United Kingdom and Europe and appropriate larger market share as industry consolidates
- ❖ Opportunity to build upon the chocolate industry growth trends in outsourcing production of certified, traceable and customised cocoa ingredients to independent suppliers
- ❖ Transaction earnings and value accretive from 1<sup>st</sup> full year



# Q & A

