



# Olam expands Packaged Foods in Africa with acquisition of Titanium Holding



# Cautionary note on forward-looking statements

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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. 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.

# Presentation outline

- ❖ Transaction Overview
- ❖ Investment Rationale
- ❖ Strategic Fit
- ❖ Financial Impact
- ❖ Q&A



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# Transaction Overview

## The Transaction

- ❖ Olam to acquire 100% equity interests of Titanium Holding Company SA, thereby acquiring the leading player in the Biscuits and Candies categories in Nigeria for US\$167Mn (subject to working capital at close)

## Investment Highlights

- ❖ The transaction represents a transformational opportunity for the packaged foods business and enables it to achieve a leadership position in two of the most attractive and fast growing segments (biscuits and candies) in Nigeria, the largest consumer market in West Africa and one of the fastest growing packaged food markets in the world.
- ❖ The acquired business registered FY11 revenues of US\$ 162 Mn on the back of leading positions in biscuits (18% market share) and candies (28% market share) under the “OK” brand umbrella
- ❖ Acquired business comes with 3 factories featuring high quality production lines, all existing brand rights across west Africa and strong distribution and logistics infrastructure within Nigeria
- ❖ The transaction is management accretive with most of the 60 Managers and 1700+ staff transitioning to Olam
- ❖ The business is both earnings and cash flow accretive with immediate effect and is expected to deliver EBITDA margins of 17-18% and an equity IRR of 29%

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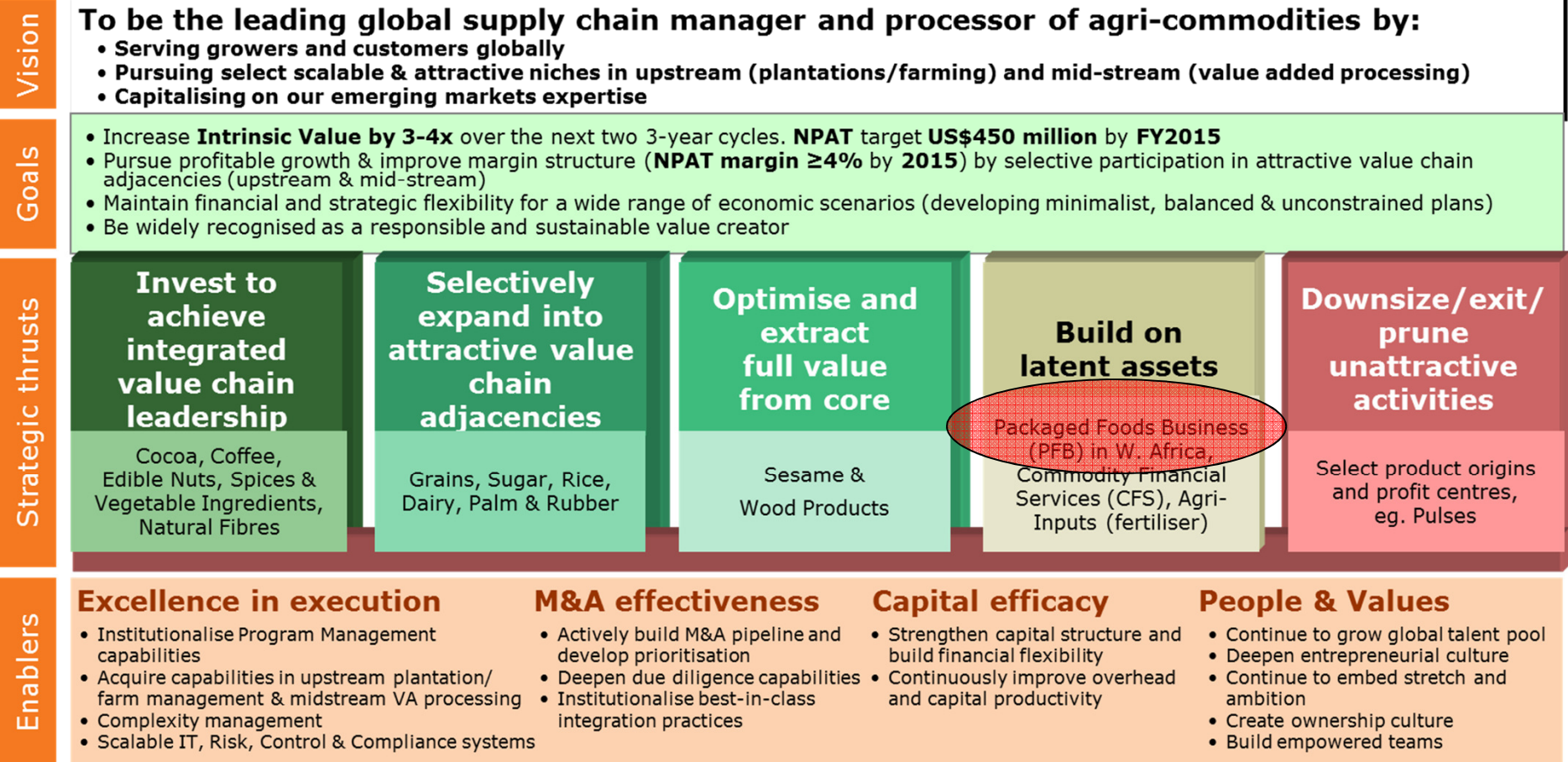
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# Investment is aligned to our 2009 strategic plan

**Our governing objective is to maximise long term intrinsic value for our continuing shareholders**

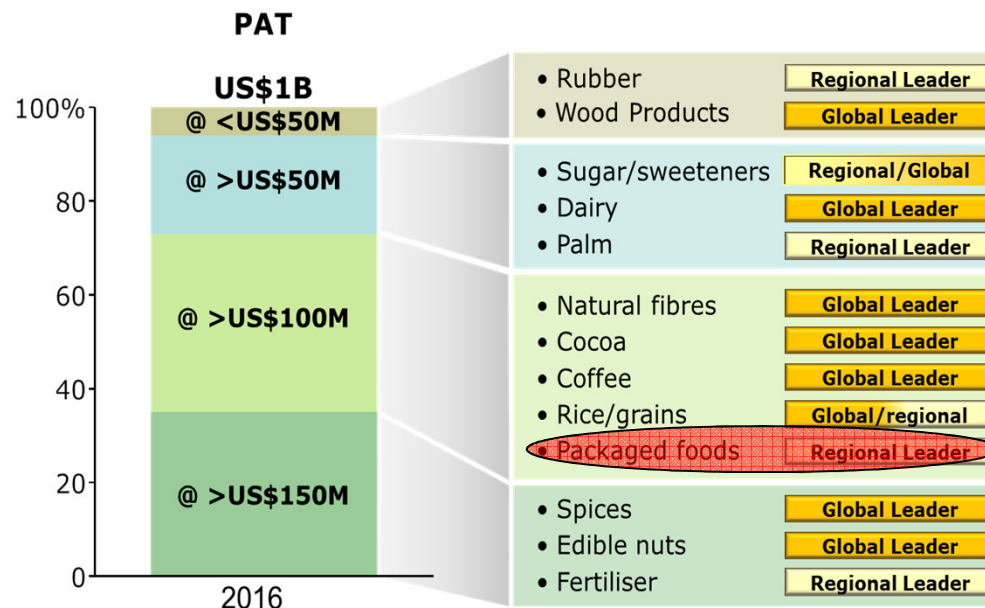
**Pursue 3 key drivers: 1) Open up Capital Spreads (ROE-KE, ROIC-WACC); 2) Increase the Rate of Profitable Growth; and 3) Sustain duration of growth**



# Packaged Foods is a growing and important platform in Olam's strategic plan

## Olam's Packaged Food Business Strategy

Build **regional brand and market leadership** in a minimum of 5 core packaged food categories by building deep consumer insights and a innovative pipeline of products that uniquely service the needs of African consumers

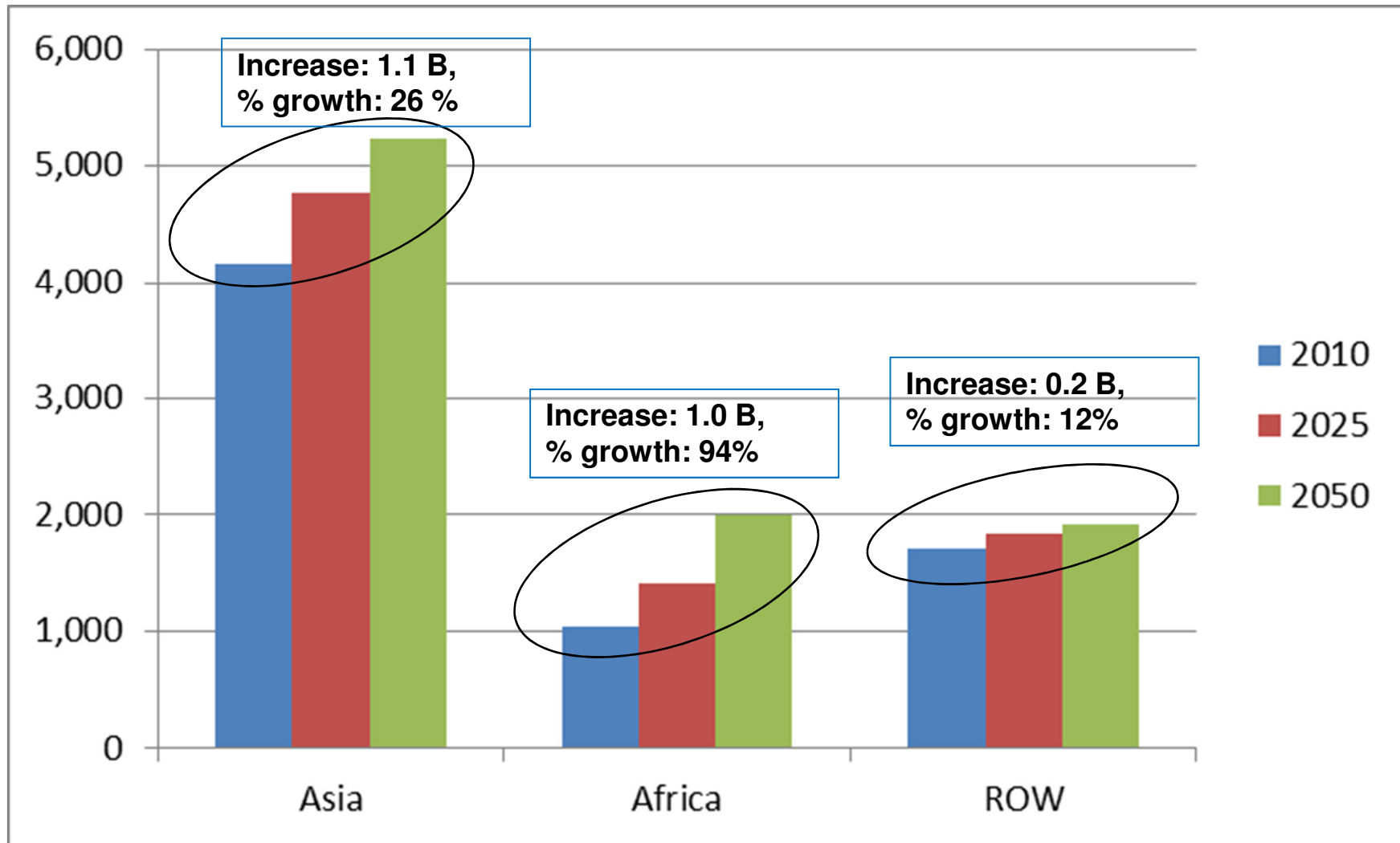




# Why Africa?

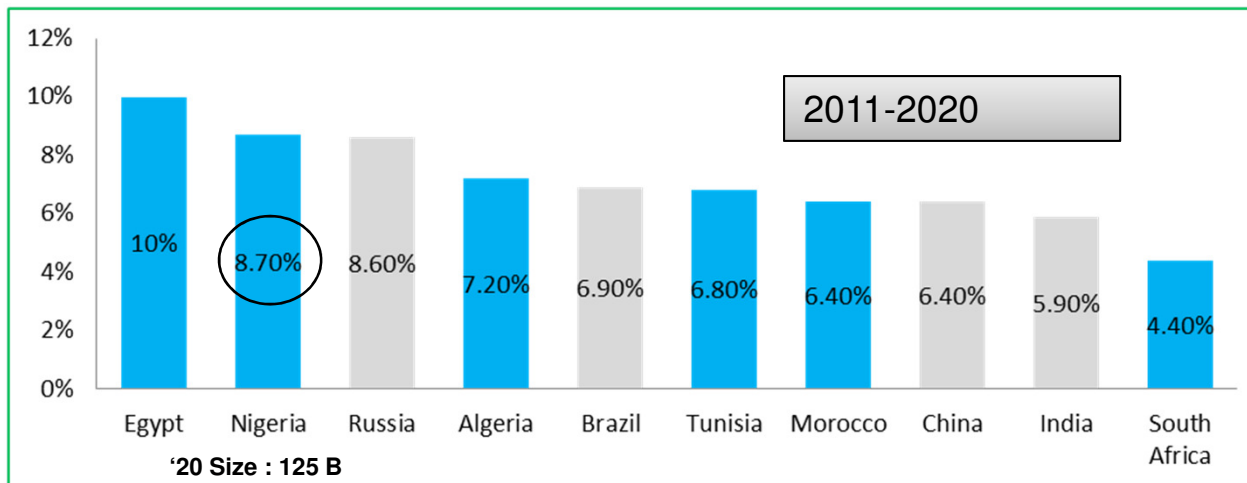
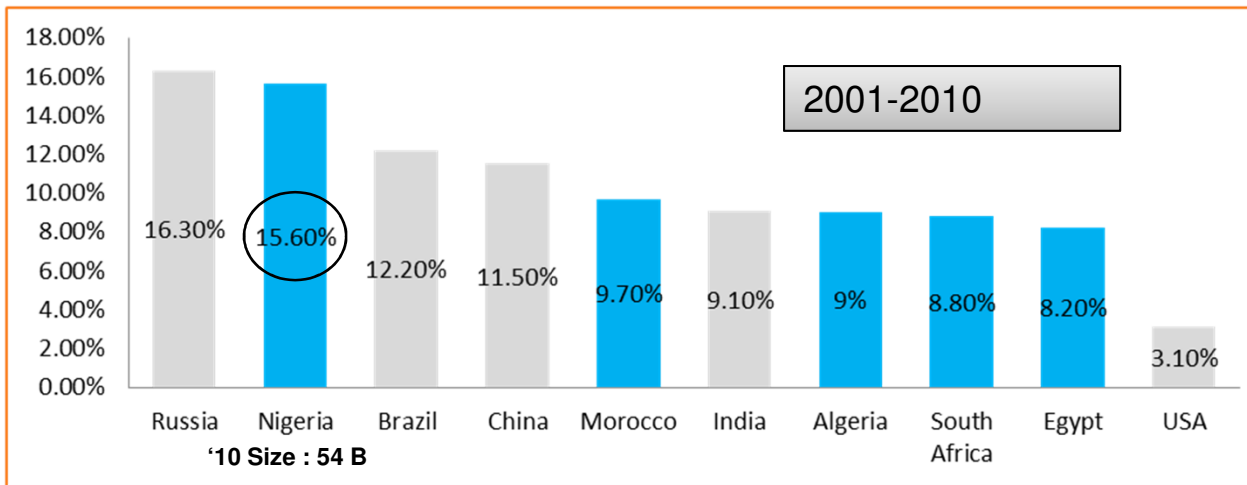
- ❖ Growing share of the world's **Population, Consumption and GDP growth** will come from Africa in the next 2 decades
- ❖ The changing **demographic profile**, increasing **urbanization** of the population and greater **discretionary spending power** are driving strong growth in the processed / packaged food segments across Africa
- ❖ **Competitive landscape still favorable** and consumer tastes and preferences are still evolving
- ❖ **Early entrant advantages still available.** Followers choosing to enter 5 years from now will find it difficult and expensive to gain share
- ❖ Many global consumer product companies have started to express interest in Africa – deriving significant returns and **making sizeable investments to scale their businesses**
- ❖ Olam has been **operating in Africa since 1989** and has built significant local context and distribution infrastructure across West Africa

# Africa will exhibit the highest growth in population – It will double from 1 B to 2 B by Year 2050



UN median population forecasts

## Africa offers one of the highest growth rates for FMCG products. Nigeria ranks No 2 in the world between 2001 and 2020



Euromonitor data – Includes Food , Non Food and Beverages



*Building Relevant Scale : Delivering the Olam Strategy*



# Strategic Choice of Markets and Categories

- ❖ **Choice within African Markets:** Since significant front end investments are required in setting up Sales and Distribution infrastructure, as well as in the initial brand building efforts; we have decided to focus on a few large markets in Phase 1 of our strategic Plan. These include:
  - ❖ **Nigeria**
  - ❖ **Ghana**
  - ❖ **South Africa**
  - ❖ **Cote d'Ivoire and**
  - ❖ **The MBTN cluster (Mali, Burkina Faso, Togo and Niger)**
- ❖ This choice is based on the relative size and scope of these markets on a stand-alone basis, as well as Olam's significant presence and back end strengths in these regions

# Strategic Choice of Markets and Categories

- ❖ **Choice of Categories across these markets:** There are hundreds of packaged food categories within and across these markets. We've gone through a detailed exercise of evaluation and identified target categories, based on the following filters:
  - ❖ **Market Size and growth rates** ( > US\$ 300m in annual sales revenue and > 5% growth rate)
  - ❖ **Base gross margins** (16-18%); with potential for improvement through better pricing, product and packaging innovation, local manufacturing, and improved supply chain efficiencies
  - ❖ **Competitive intensity** and **winnability for Olam**
  - ❖ **Link with Olam's core portfolio** for effective raw material sourcing and other supply chain efficiencies
  - ❖ **Sales and distribution synergies** across identified categories
  - ❖ **Capability sharing** - Marketing, consumer insight, product development, and potential synergies of a common Brand umbrella
  - ❖ **Scalability** across currently identified markets and other Olam regions in the future

# Large sized opportunity pipeline within identified categories and focus markets

| Category        | Current Market Size (\$M) | Growth Rate (%) |
|-----------------|---------------------------|-----------------|
| Tomato Paste    | 343                       | 8-10%           |
| Biscuits        | 828                       | 10-12%          |
| Pasta           | 587                       | 10-12%          |
| Seasonings      | 747                       | 6-8%            |
| Candies         | 273                       | 12-15%          |
| Instant Noodles | 312                       | 12-15%          |
| Juices          | 780                       | 7-8%            |
| Dairy           | 400                       | 6-7%            |
| <b>Total</b>    | <b>4,125</b>              |                 |

Nigerian market size \$600Mn

Nigerian market size 180Mn

🌱 Market size across Olam's focus countries - Nigeria, Ghana, MBTN\* and Ivory Coast

Company Estimates

\*MBTN: Mali, Burkina-Faso, Togo, Niger



Building Relevant Scale : Delivering the Olam Strategy



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# Olam's Current Footprint

- Started operations in 2007 in Nigeria with launch of Tasty Tom® tomato paste and currently present across multiple categories – Tomato Paste / Seasonings / Pasta / Biscuits / Noodles in key West African markets (Nigeria / Ghana / Ivory Coast / MBTN Cluster)



- 2<sup>nd</sup> largest player in tomato paste across West Africa
- Top 3 position in Seasonings with leadership in one sub-category
- Growing share in the biscuit category in Ghana with a plan to develop into a regional supply hub
- Built strong double digit market share for Noodles in Nigeria within 18 months of entry

# What we have built

- ❖ Strong background and local context built over two decades of operating history in the region
- ❖ Investments have already been made in market research and consumer immersions designed to gain deep consumer insight, leading to focused and relevant product development that is better suited to the tastes and preferences of the African consumer
- ❖ Have already created 3 strong brands, across multiple markets – with leading market share (25-35% in participating markets) and brand recall
- ❖ Experienced sales and marketing teams already in place with relevant experience in the FMCG industry
- ❖ Differentiated marketing and brand building efforts have helped in market share gains against competitors



# Overview of OK Foods brand franchise



# Acquisition synergies

## The Olam Advantage

- ❖ Sales & Distribution infrastructure with a direct reach to 80% of first tier channel members across Nigeria
- ❖ Channel / Brand / Cost synergies across regional markets and categories
- ❖ Differentiated investments in brand-building, innovation and consumer insight vis-à-vis competition
- ❖ Significant backend synergies across raw material sourcing, processing, logistics and warehousing
- ❖ Potential to develop Nigeria as a regional manufacturing hub for the West African biscuit / candy franchise

## The OK Foods Advantage

- ❖ Leading player in both biscuits and candy in Nigeria with a strong 5 year revenue CAGR of 26%
- ❖ Strong umbrella brand franchise of “OK” biscuits and candies built over the last 16 years
- ❖ 3 good quality and well-run factories with multiple lines across biscuits / wafers / candy and gum
- ❖ Strong management team comprising 60 managers and 1,700+ staff
- ❖ Logistics and distribution infrastructure which complements Olam’s supply chain origination volumes

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# Financial Impact

- ❖ Olam's investment of US\$167Mn to be funded from internal accruals and borrowings
- ❖ Transaction done at 8.1x EV EBITDA which compares favourably with the last transaction in the sector which was done at 10.5x
- ❖ Expected to deliver EBITDA margins of 17%-18% and an equity IRR of 29%
- ❖ Transaction is earnings and cash flow accretive with immediate effect

# Q & A

Thank You!