



# Strategy Review

*Re-balancing profitable growth and cash flow*

**25 April 2013 | Singapore**



# 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 filed 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.

# What has changed

***Re-balancing  
profitable growth and cash flow***

# Agenda

- **Context and summary**

- Olam strategy and business model
- Execution progress
- Strategic Plan FY2014 - FY2016

# Context

- One of the key processes at Olam is to conduct an **annual strategy review** of our **market context, strategic options, tactics** and **targets**
- Further to the Board's **letter to shareholders** in the Offer Information Statement (OIS) dated 2<sup>nd</sup> January 2013, this year's strategy review was undertaken with **particular emphasis** on **achieving a balance** between **long term value creation** and **short term delivery**
- The process followed for this review involved **extensive stakeholder consultation, intensive internal review** and **comprehensive Board discussions** that examined our strategy from **all angles**

# Context: Key questions

- What are the **challenges** and **opportunities** in the **Agri sector**?

- Are we pursuing the **right strategy**?

- Is our **business model too complex**?

*Strategy and  
business model*

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- Is the **execution of our strategy** effective?

- How can we further **reduce and mitigate our execution risk**?

- Is **our pace of growth too aggressive**?

*Execution  
progress*

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- Are we striking the right balance between **earnings and cash flow**?

- Are our **gearing norms appropriate**?

- Is our **communication** to the market **effective**?

*Future plans*

# Summary: Four priorities and six pathways established

This year's Strategy Review and stakeholders consultation have established 4 additional priorities:

1

Accelerate free cash flow generation

2

Reduce gearing

3

Reduce complexity

4

Promote better understanding of Olam's business

... 6 pathways were developed to realise these 4 priorities:

1

Recalibrate pace of investments

2

Optimise Balance Sheet

3

Pursue opportunities for unlocking Intrinsic Value

4

Reshape portfolio and reduce complexity

5

Improve operating efficiencies

6

Enhance stakeholder communication

# Summary: Four Key Priorities

## 1 Accelerate free cash flow generation

- Become **free cash flow positive** by **FY2014**
- **Reduce planned capex** by **~ S\$1B**
- **Target to release cash** of **~S\$1.5B** through **balance sheet optimisation** and **unlocking intrinsic value**

## 2 Reduce gearing

- **Reduce gearing boundary condition** from **<2.5x** to **<2.0x** by **end of plan period**

## 3 Reduce complexity

- **Optimise portfolio** and **rationalise sub-scale profit centres** and **countries**
- **Realise overhead savings** of an estimated **~ S\$80-100M** annually

## 4 Promote better understanding of Olam's business

- **Enhance stakeholder communication**



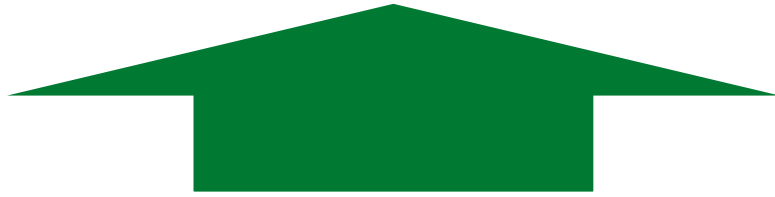
# Context

- **This strategy review is based on current market and economic conditions**
- The Company will **continue to update its plans to optimise growth opportunities** in the future
- The Board will **continue to monitor our current investments and assets and identify opportunities** at the Group, platform or project level, **in order to maximise shareholder value**
- **Changes to this plan**, if any, will be carried out in a **structured manner**, through the **ongoing review of execution progress, proactive analysis of market opportunities** and our formal **annual strategy review**
- The **Board and Management** will continue to **provide appropriate updates to all its stakeholders**

# Agenda

- Context and summary
- **Olam strategy and business model**
- Execution progress
- Strategic Plan FY2014 - FY2016

# Market context: The agri-sector is **attractive** with **favourable long-term dynamics**



## **Rising demand**

- **Growing population**
- **Increasing food consumption** per capita with rising incomes
- **Dietary shift** to protein and fat rich diets
- **Rapid urbanisation** resulting in higher per capita consumption
- Growing use of **biofuel**

## **Supply constraints**

- **Declining arable land**
- **Decline in productivity**
- Impact of **urbanisation**
- **Water** constraints
- **Carbon** and **Environmental** constraints
- Impact of **climate change**
- **Logistics** and storage **capacity issues**



# Our Vision: what we want to be and why ... remains unchanged

## **Vision**

**To be a leading, global, selectively integrated  
supply chain manager of agri-commodities  
and food ingredients**

## **Governing Objective**

**To maximise long term intrinsic value for  
our continuing shareholders**

# Olam Business Model: Focused, differentiated and defensible

- **Focus** on a **single commodity asset class: agri-sector**
- **Make careful choices** on **'where to play'** and **'how to play'**
  - **Leverage core supply chain:** continue to develop the core supply chain platform common to all Olam's business segments
  - **Leadership:** Global leader in 6 out of the 16 platforms and regional leader in 5 others
  - **Build differentiation:** First differentiate then scale
  - **Defensible positions:** Top 10 global agri players do not compete in 6 out of 16 Olam platforms
  - **Selective integration:** Careful choice of high return opportunities in Upstream and Midstream, building and leveraging the Supply Chain core
  - **Diversified portfolio:** Balanced revenues and earnings across segments, platforms, geographies and value chain
- **Foster a distinctive entrepreneurial culture** with **deep bench strength, key processes** and **strong risk control systems**
- **Grow responsibly** and in a **sustainable manner**

# Olam Business Model: Portfolio focused on agri-sector but broadly diversified

## 16 PLATFORMS ACROSS 5 SEGMENTS

Edible Nuts,  
Spices &  
Beans

1 Edible nuts

2 Spices &  
Vegetable  
Ingredients

Confectionery  
& Beverage  
Ingredients

3 Coffee

4 Cocoa

Food Staples  
& Packaged  
Foods

5 Dairy

6 Grains &  
Oilseeds

7 Rice

8 Sugar/  
Sweeteners

9 Palm

10 Packaged  
Foods

Industrial  
Raw Materials

11 Natural Fibres

12 Wood Products

13 Rubber

14 Fertilisers

15 Special  
Economic Zone  
(SEZ)

Commodity  
Financial  
Services

16 CFS

*Adjacent businesses*

# Olam Business Model: Proof of execution with leadership positions across diverse platforms

## Edible Nuts, Spices & Beans



- **Cashew:** #1 global player
- **Almond:** #2 grower globally
- **Peanut:** Largest independent US blancher & ingredient manufacturer
- **Hazelnut:** Top 3 global supplier
- **Dehydrated onion and garlic:** #1 player globally
- **Sesame:** #1 player globally

## Confectionery & Beverage Ingredients



- **Coffee:** Top 3 player globally
- **Cocoa:** World's leading originator and trader

## Food Staples & Packaged Foods



- **Grains:** #2 grains exporter from Russia
- **Palm:** Developing one of the largest sustainable Palm businesses in Africa
- **Dairy:** Top 3 dairy farming operations globally
- **Rice:** Top 2 global trader
- **PFB:** Strong market positions in West Africa in Seasonings, Paste, Biscuits, Candies, Noodles

## Industrial Raw Materials



- **Cotton:** #1 private ginner; #2 merchant globally
- **Rubber:** Developing one of the largest sustainable Rubber businesses in Africa
- **Wood products:** Top 3 teak & hard wood supplier globally

# Olam Business Model: Starting with core Supply Chain capabilities built over 24 years

3.5M  
growers



## Olam Supply Chain

Global  
Origination  
& Sourcing

Primary  
Processing

Inland & Marine  
Logistics

Trading

Value Added  
Services

Risk  
Management

>12,300  
customers



DOUWE  
EGBERTS



(examples)



# Olam Business Model: Selective expansion into higher return upstream and mid/downstream opportunities

## Selective Upstream

### Farming & plantations

- Perennial tree crops
- Annual crops
- Dairy farming
- Forest concessions

## Olam Supply Chain

Global Origination & Sourcing

Primary Processing

Inland & Marine Logistics

Trading

Value Added Services

Risk Management

## Selective Mid / Downstream

### Value-added processing

- Secondary manufacturing
- Branding and distribution in Africa

# Agenda

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# Results Achieved: Additional Performance Metrics

- Two additional metrics in line with decision to **rebalance profitable growth and cash flow** across both our product segments and value chain segments:

## EBITDA

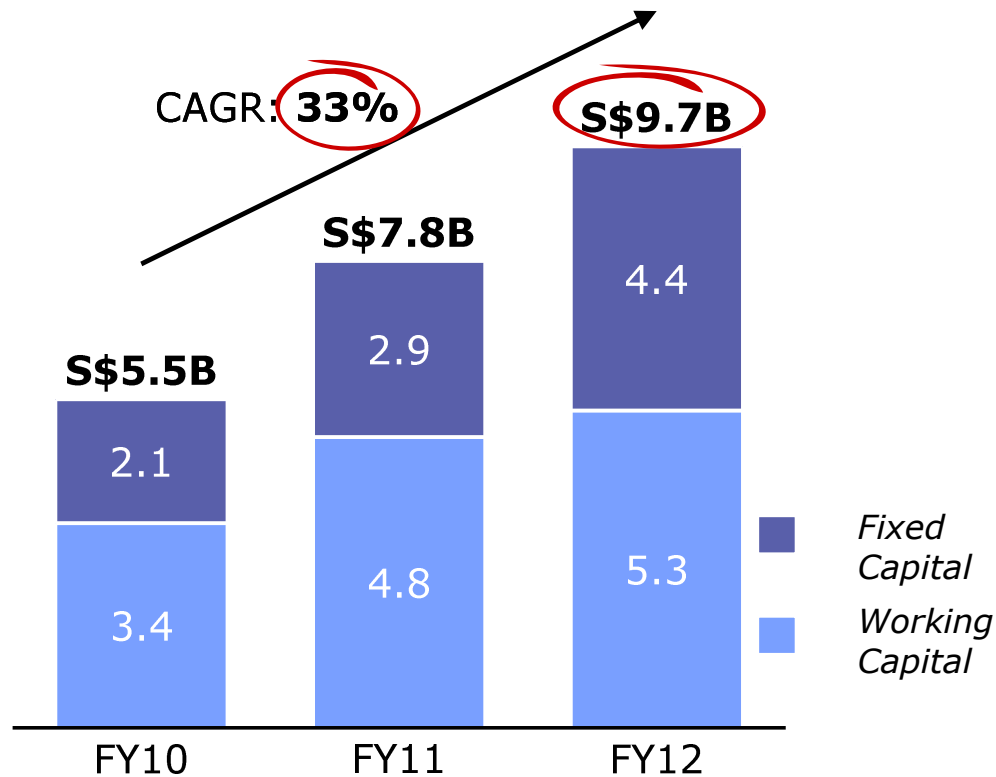
- Good indicator for operating cash flow
- Includes Minority Interest, Excludes non-operational biological gains and exceptional items

## EBITDA / Average Invested Capital (IC)

- Good indicator for return on invested capital
- Average IC includes both average working capital & fixed capital invested

# Results Achieved: Strong earnings growth with continued investments at portfolio level

## INVESTED CAPITAL (END OF YEAR)



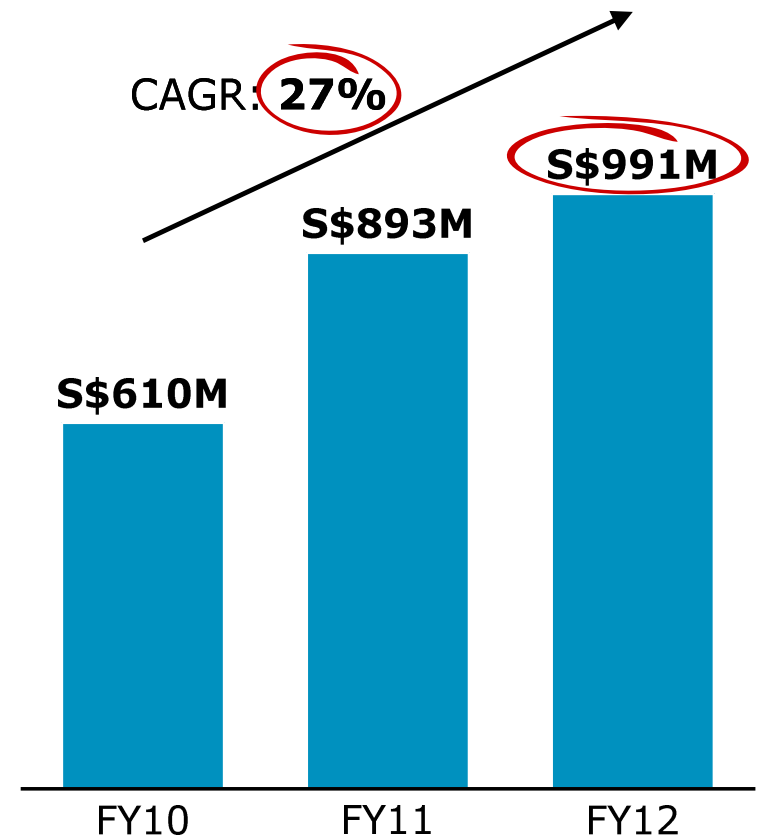
FC (as % of IC)

38%

38%

45%

## EBITDA



EBITDA/  
Avg IC %

13.7%

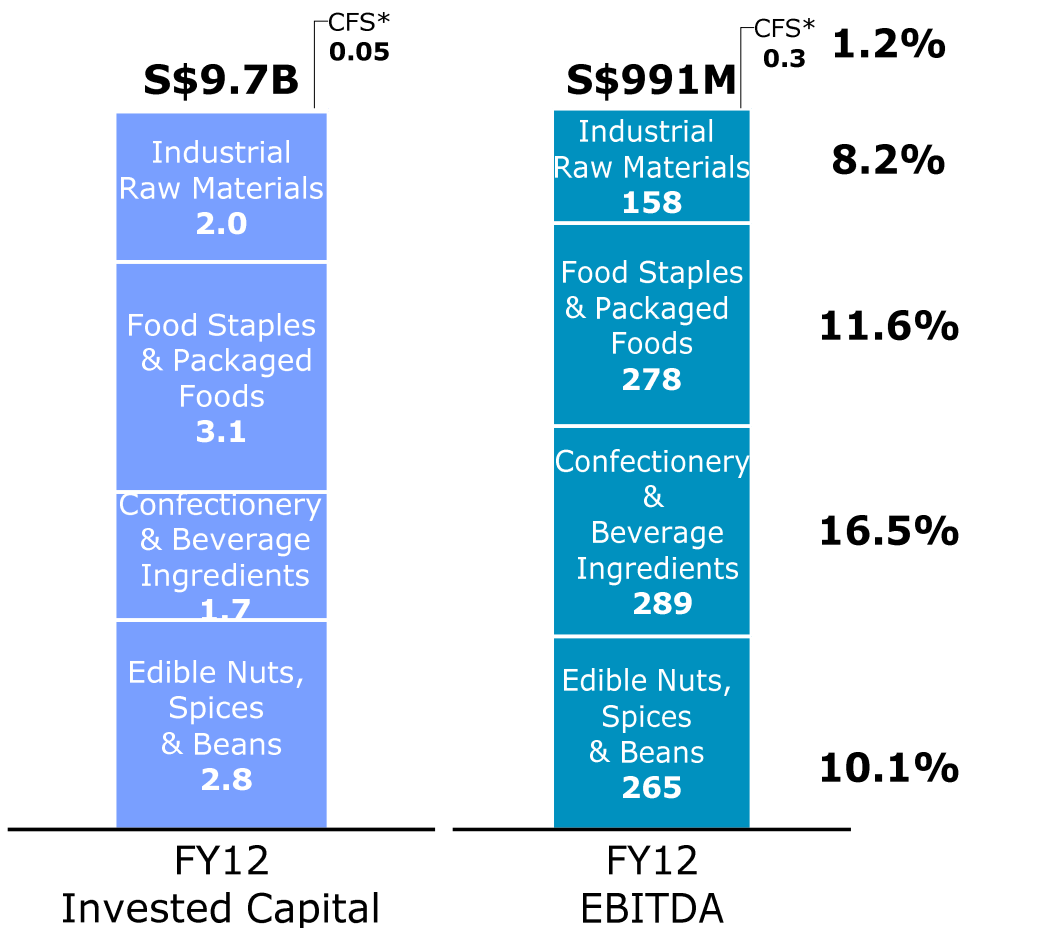
13.5%

11.4%

# Results Achieved: Invested Capital and EBITDA by product segment and by value chain steps

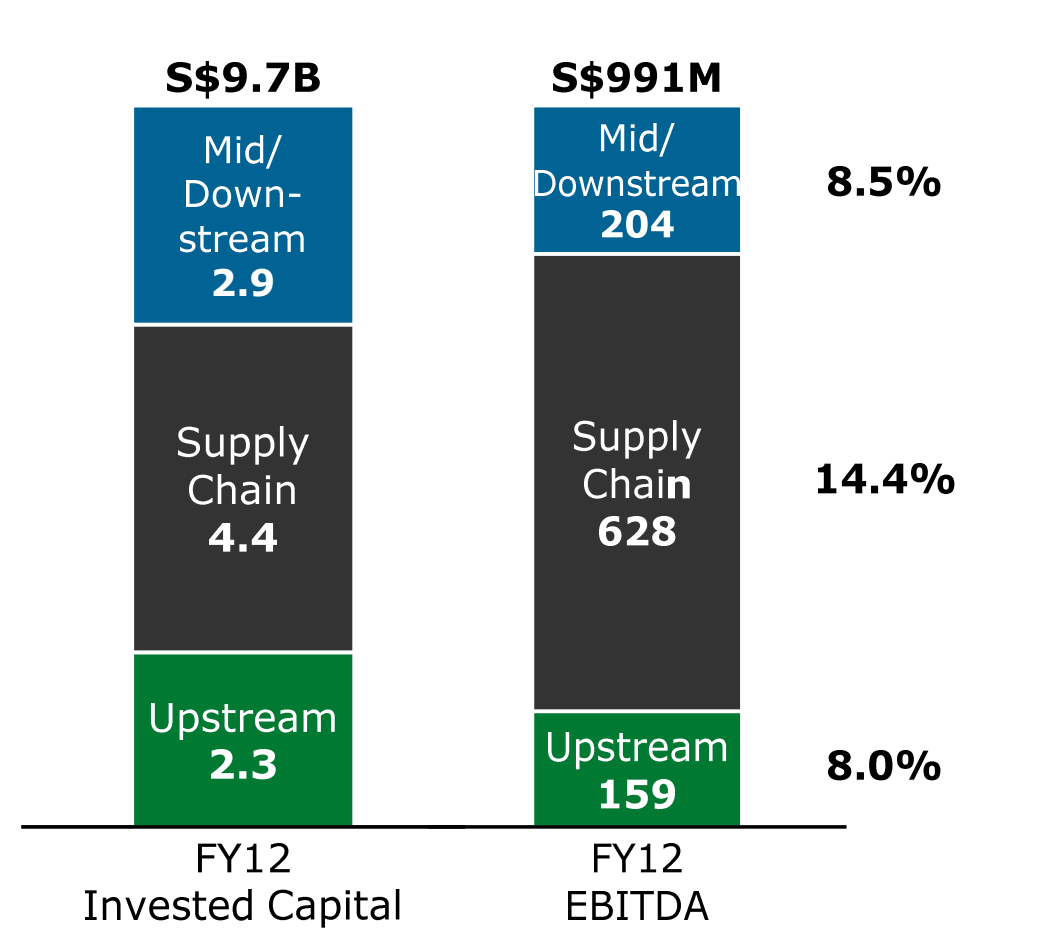
## BY SEGMENT

### EBITDA/Avg IC



## BY VALUE CHAIN STEP

### EBITDA/Avg IC

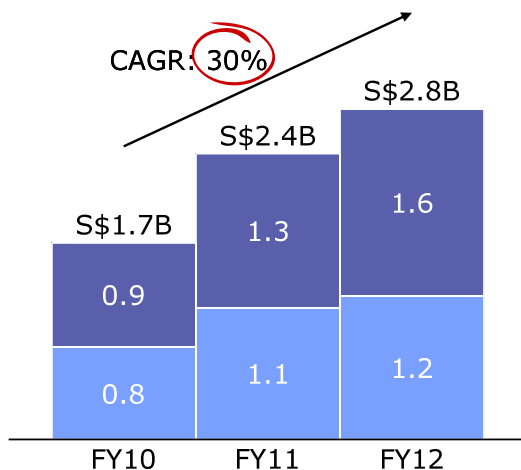


Note: \*CFS=Commodity Financial Services

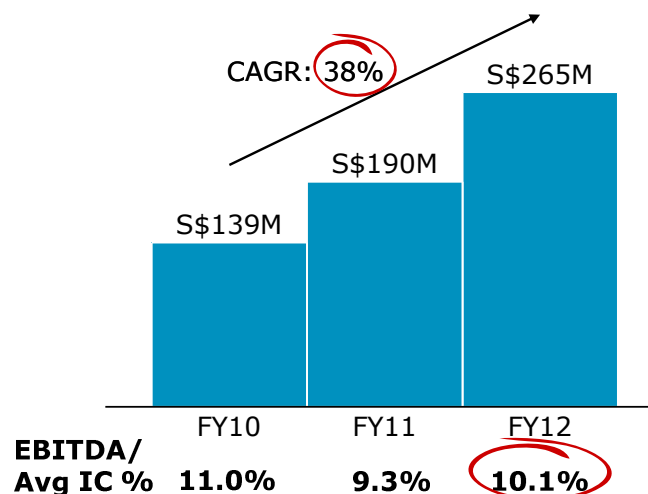
# Significant increase in segment earnings with continuing investments (1/2)

## Edible Nuts, Spices & Beans

### INVESTED CAPITAL

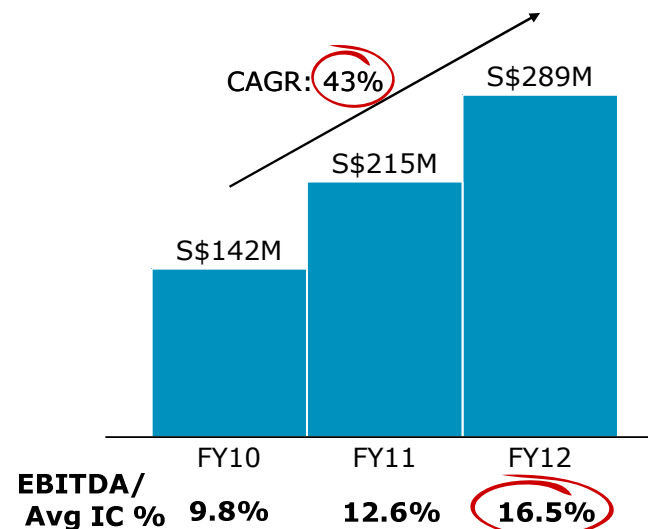
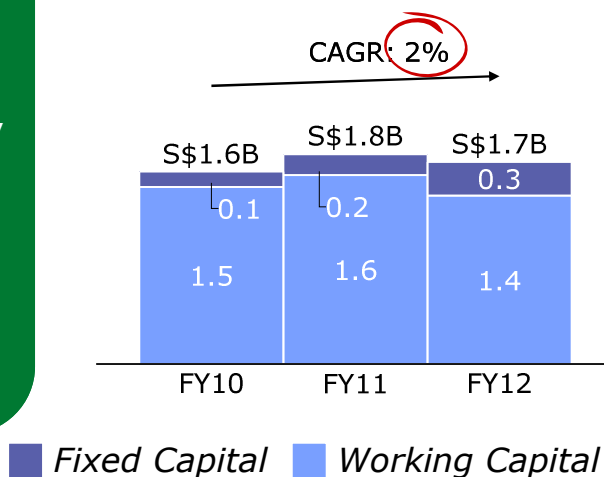


### EBITDA



- **Strong earnings growth** as investments in Almonds, Hazelnuts and Dehydrated Veg pay-off
- Some drag from **tomato processing**

## Confectionery & Beverage Ingredients

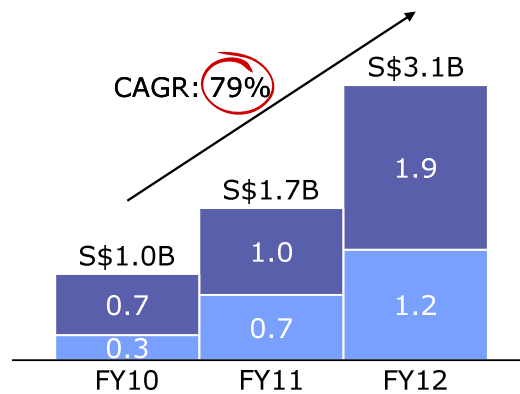


- **Continued strong earnings growth** from mature businesses, with no significant investments recently

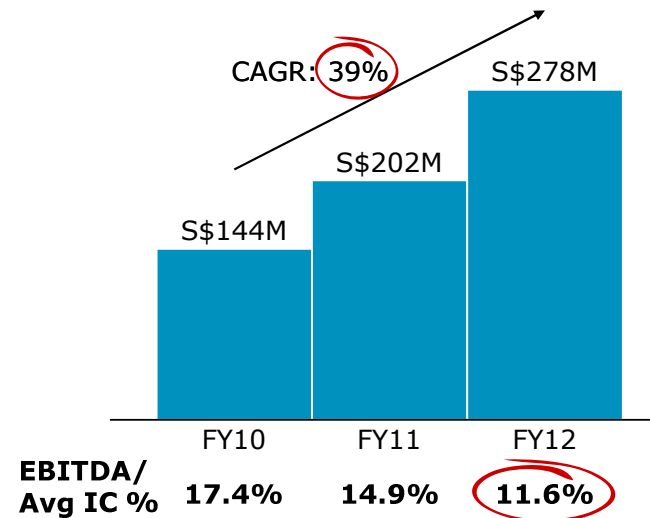
# Significant increase in segment earnings with continuing investments (2/2)

## Food Staples & Packaged Foods

### INVESTED CAPITAL



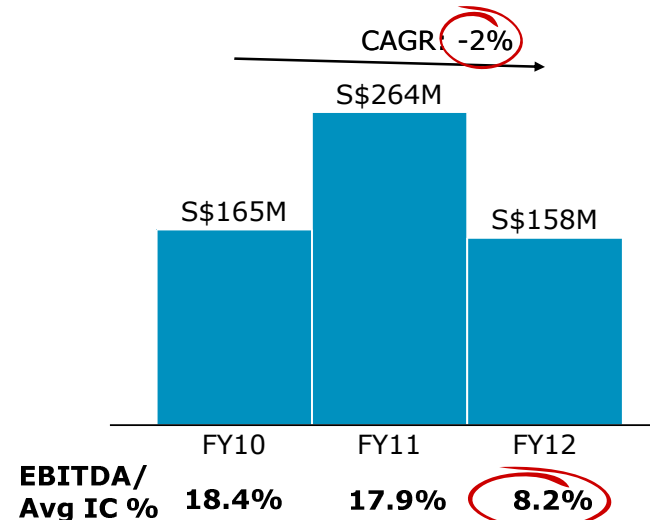
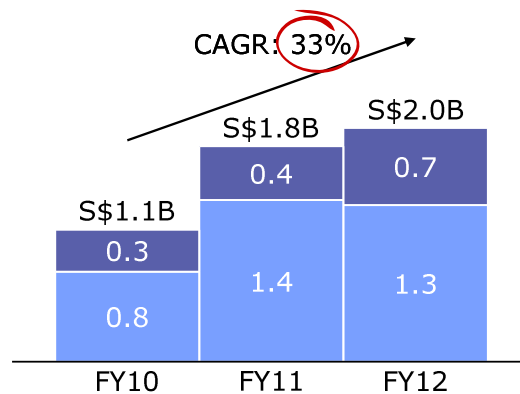
### EBITDA



- **Sizable investments** in Dairy and Packaged Food yet to fully mature

## Industrial Raw Materials

■ Fixed Capital ■ Working Capital

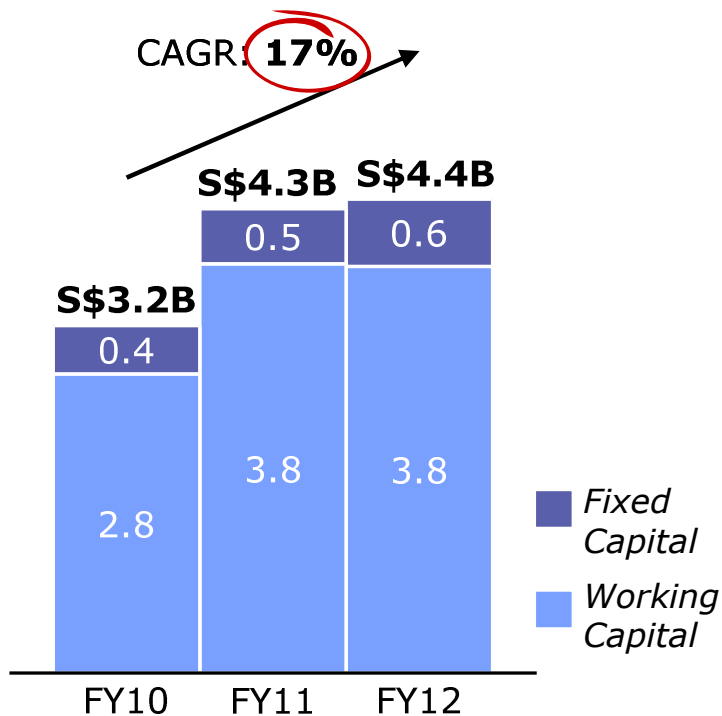


- **Reduced earnings in FY12** driven by unfavorable cotton industry conditions
- **IRM is the more recession sensitive** part of the portfolio

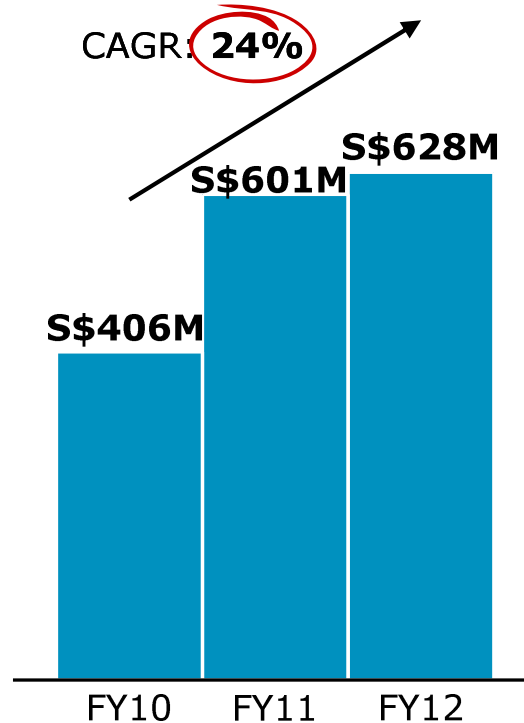
# Results Achieved: Strong performance in the Supply Chain value chain segment

## Supply Chain

### INVESTED CAPITAL (END OF YEAR)



### EBITDA



EBITDA/  
Avg IC %    13.6%    16.0%    14.4%

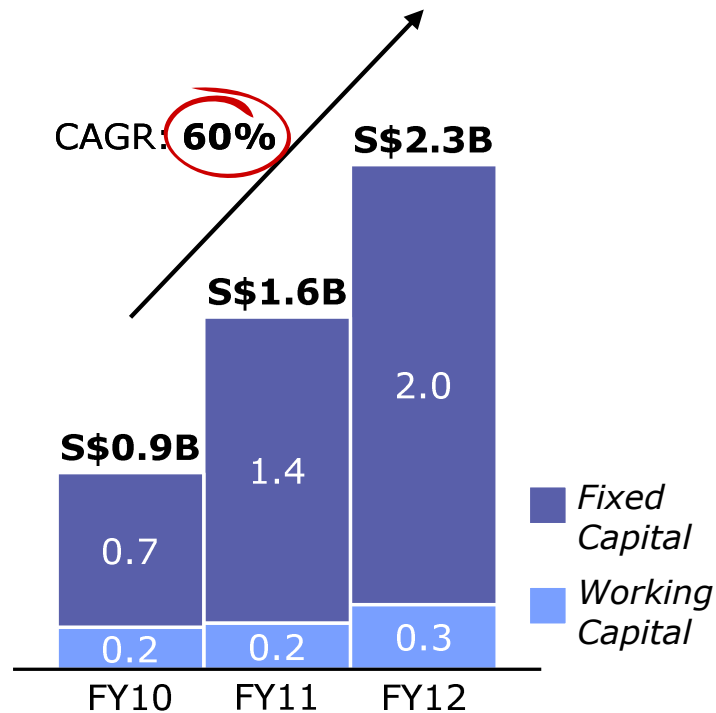
- Strong **EBITDA growth** with **stable returns**
- FY12 impacted by **adverse cycles** in **specific platforms** (Cotton, Wood)
- **Low prices** in FY12 contributed to **lower IC**



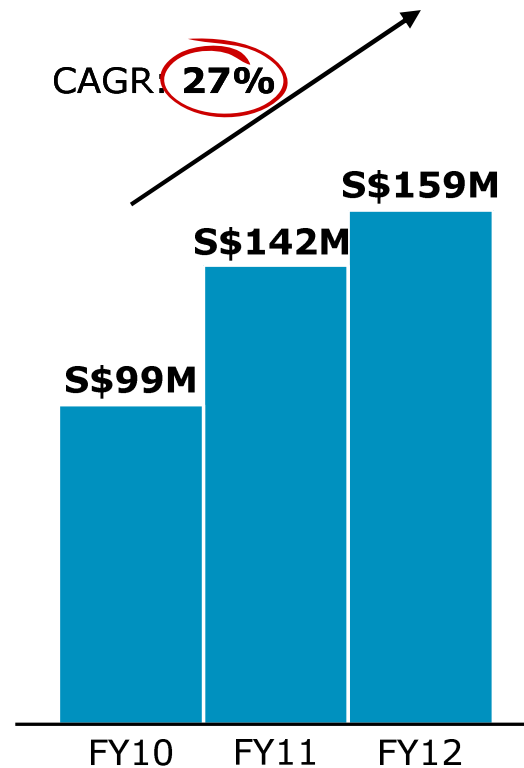
# Results Achieved: Investments still maturing in Upstream value chain segment

## Upstream

### INVESTED CAPITAL (END OF YEAR)



### EBITDA



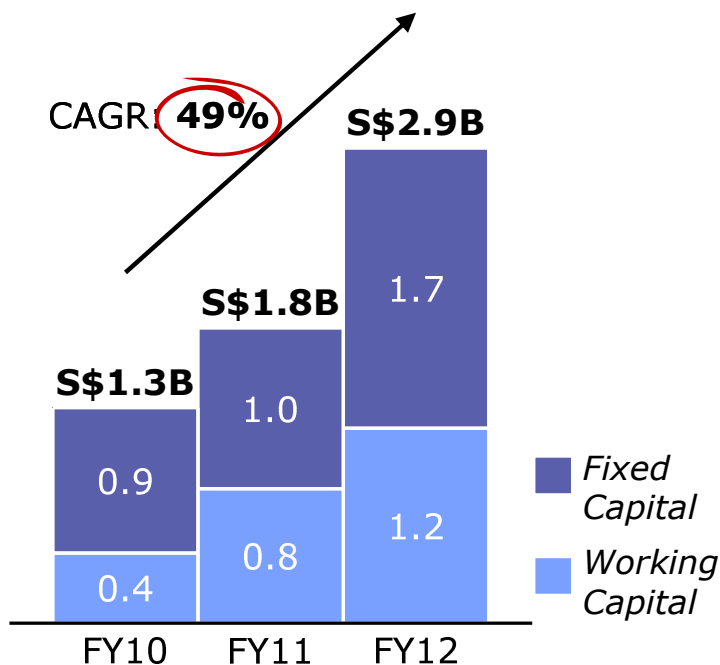
EBITDA/  
Avg IC %    16.9%   11.1%   8.0%

- **Growing investments in Coffee, Dairy, Palm and Rubber**
- **Investments still gestating.** Our **Palm, Rubber, Coffee** and part of our **Californian Almond Plantation projects** have **not yet started yielding** while **considerable investments** have **already gone into these upstream projects**

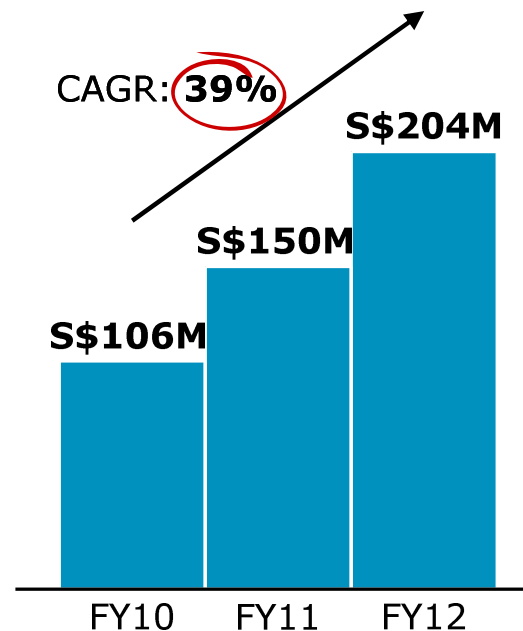
# Results Achieved: Investments still maturing in Mid/downstream part of the value chain

## Mid/downstream

### INVESTED CAPITAL (END OF YEAR)



### EBITDA



EBITDA/  
Avg IC %    11.8%    9.5%    8.5%

- **Recent investments across portfolio not yet at full potential**

- Cashew processing in Ivory Coast
- Crown Flour Mill in Nigeria
- Packaged Food in West Africa
- Dairy Plant in Malaysia

# We have assessed our investment projects and categorised them based on stage of evolution

## Fully Contributing projects

- Projects that have **reached maturity** (upstream), or **full capacity utilisation** (midstream organic), or **acquisitions** where initial **integration** has been **completed**
- For example: Argentina Peanut farming, Nigeria Cocoa processing, Gilroy etc.

## Partially Contributing projects

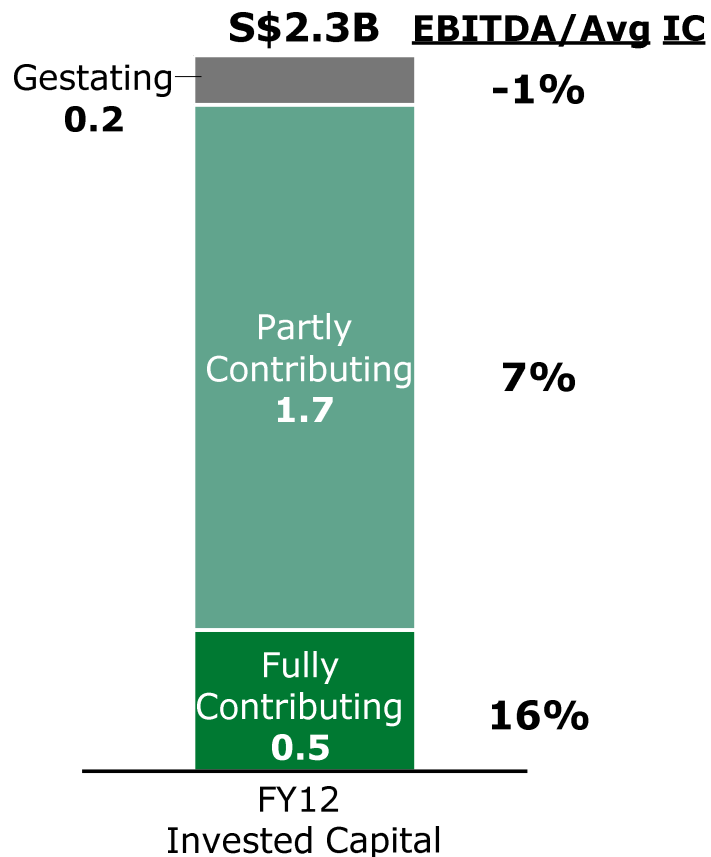
- Projects (upstream) that have **started yielding** but not fully mature, or midstream projects **commissioned** but **not yet at full capacity utilisation.**
- For example: USA Almond plantations, Vietnam Soluble Coffee, etc.

## Gestating projects

- Projects that are **still gestating** and have **not started to contribute any earnings.** In **upstream**, this involves **projects** that are **still to produce their first yields** and in the **midstream** it includes **projects** that are **still under construction.**
- For example: Gabon Palm and Rubber plantations, Ivory Coast Cocoa processing, etc.

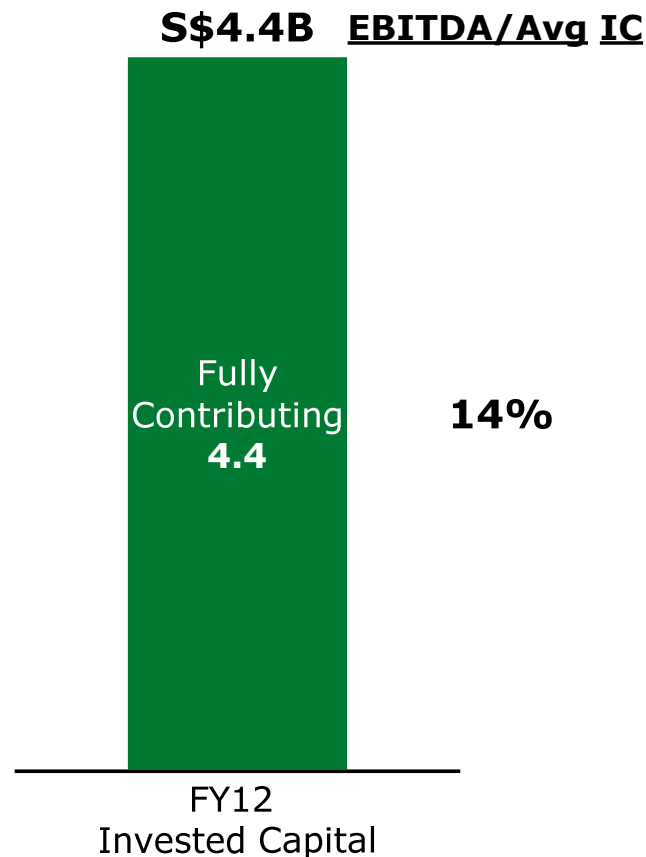
# Results Achieved: Significant upside potential from Upstream & Mid/downstream at full maturity

## Upstream



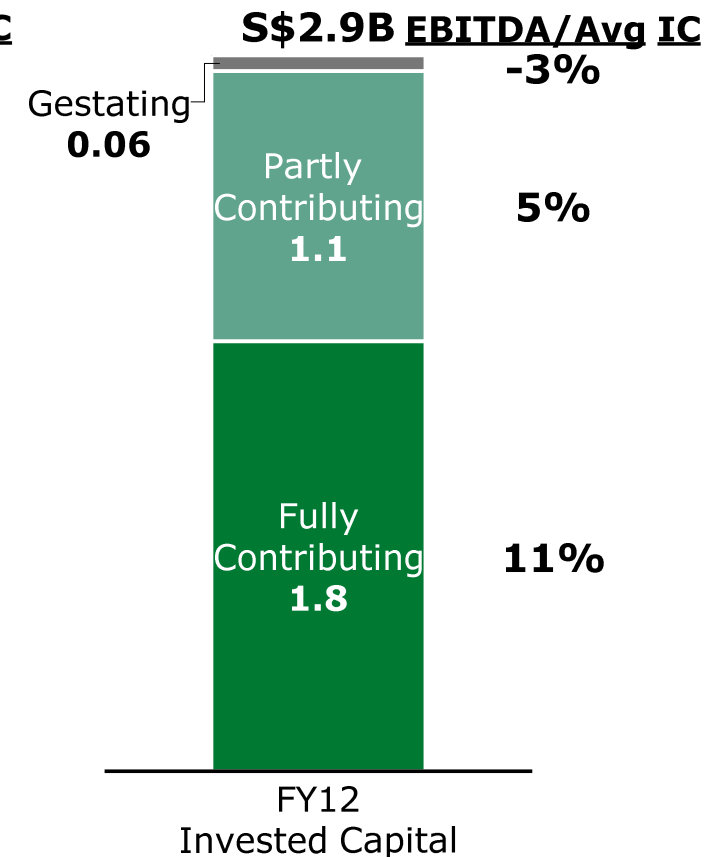
**Expected EBITDA/IC in plan period: 15-18%**

## Supply Chain



**Expected EBITDA/IC in plan period: 10-13%**

## Mid/downstream



**Expected EBITDA/IC in plan period: 13-16%**

# Results Achieved: Some investments are below plan and are being actively addressed

## Upstream

- **NZFSU** (Dairy Farming)  
Uruguay

## Mid/downstream

- **Olam Tomato Processing**,  
California
- **Girdharilal Sugar Milling**, India
- **PureCircle (Sweeteners)**,  
Malaysia

# Key conclusions from Business Model and Investment Performance

- **Continued attractiveness** of the agricultural sector in **areas that** Olam has **selected for participation**
- **Effective strategy on the back of a strong and differentiated** business model
- **Positive results** achieved to date, **taking into account gestating profile** of **some** investments
- **Some projects** are **facing execution challenges** which are **being addressed**
- Opportunity to **review priority areas** and **respond** to **stakeholders' input**

# Agenda

- Context and summary
- Olam strategy and business model
- Execution progress
- **Strategic Plan FY2014 - FY2016**

# Four priorities and six pathways established

This year's Strategy Review and stakeholders consultation have established 4 additional priorities:

**1**  
Accelerate free cash flow generation

**2**  
Reduce gearing

**3**  
Reduce complexity

**4**  
Promote better understanding of Olam's business

... 6 pathways were developed to realise these 4 priorities:

**1**  
Recalibrate pace of investments

**2**  
Optimise Balance Sheet

**3**  
Pursue opportunities for unlocking Intrinsic Value

**4**  
Reshape portfolio and reduce complexity

**5**  
Improve operating efficiencies

**6**  
Enhance stakeholder communication



# Pathway 1: Recalibrate pace of investments

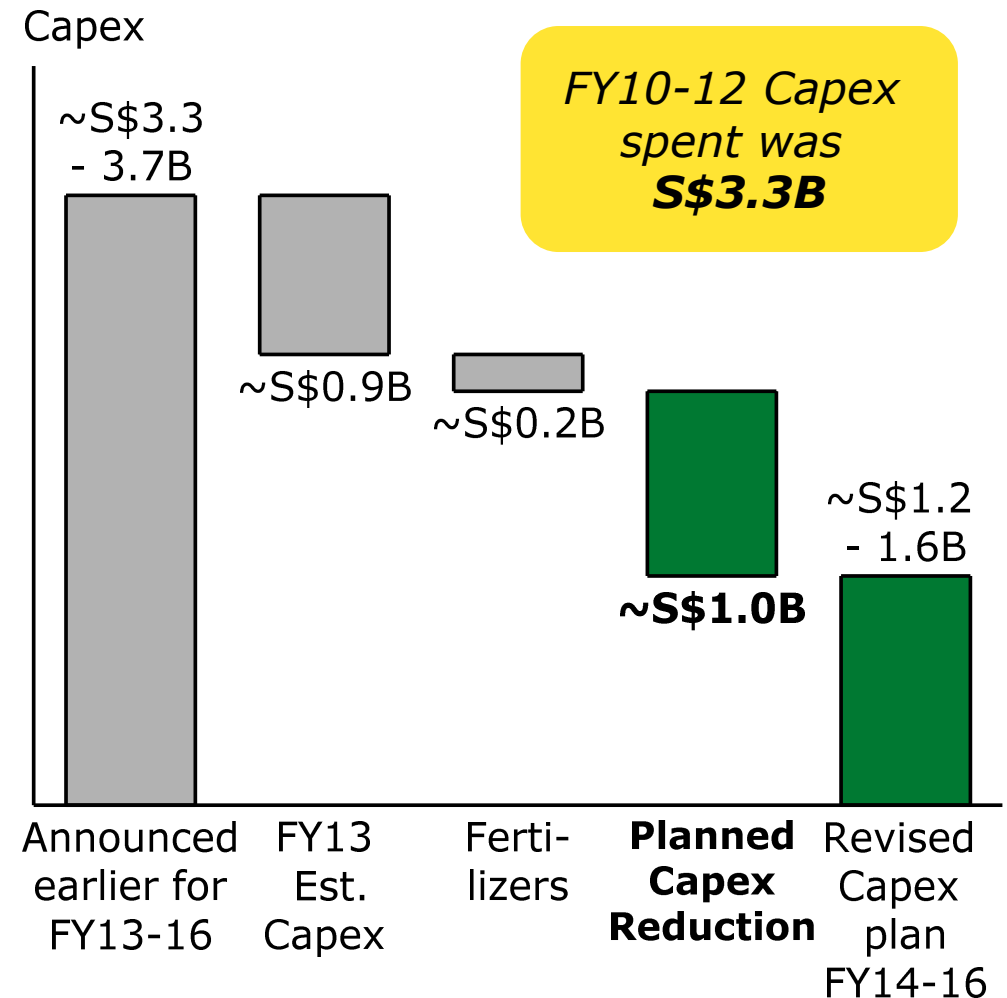
1

## Recalibrate pace of investments

**Extract full value from existing investments**

**Reduce pace of capex and acquisitions by ~S\$1B** compared to previous plan  
(S\$1.2-1.6B capex for FY14-16)

**Re-balance between long gestation and faster yielding projects**



# Pathway 2: Optimise Balance Sheet

2

## Optimize Balance Sheet

**Sale and Leaseback of upstream assets to reduce asset intensity, generate cash flow and improve overall returns**

(proof of concept already established with US Almond orchards)

**Fixed asset securitization to generate cash, reduce asset intensity and improve returns**

(manufacturing assets)

**Working capital optimization**

(factoring of receivables, release of working capital from closing sub-scale profit centers and countries)

*Release an estimated  
~**S\$500M**  
of cash*

# Pathway 3: Pursue opportunities for unlocking Intrinsic Value

3

## Pursue opportunities for unlocking Intrinsic Value

**Pursue JV / strategic alliances in select platforms**  
(e.g. PFB, Dairy, etc.)

**Assess value impact of equity 'carve-out' via minority stake sale or flotation**  
(grow to full potential; generate cash; illuminate value)

**Divest non-core assets**  
(e.g. Basmati Rice)

**Review options to co-share investments, enhance execution effectiveness of large capex and long gestation investments** (e.g. Fertiliser, SEZ in Gabon)

*Release an estimated  
~S\$1B  
of cash*

# Fertiliser (Gabon Fertiliser Company) update

- **In line** with the **priorities** of the **Strategic Plan FY2014-FY2016**, we would **seek to de-consolidate/sell down** our stake in the **Gabon Fertiliser Business** (GFC) by the end of the plan period or after commissioning, in stages. To this end, we would prefer to **sell down** our **stake below 50%** and have **joint control** with **strategic partners/industry players**. This **process** for further **selldown of our stake** is **underway**.
- We have **opened up** the **EPC contract negotiations beyond** the **original EPC contractor** to additional parties with the aim to **reduce overall project cost**. We expect these negotiations to be completed in the next **2 to 3 months**.
- Project implementation in terms of **site preparation and dredging** is **progressing as planned** and is expected to be **completed by September 2013**.

# Pathway 4: Reshape portfolio and reduce complexity

4

## Reshape portfolio and reduce complexity

### Reshape portfolio

- **Invest and Grow:** Edible Nuts, Spices & Vegetable Ingredients, Coffee, Cocoa, Grains
- **Grow with Strategic Partners:** Packaged Food Business, Palm Oil, Rubber, Fertilisers, SEZ
- **Optimise:** Natural Fibers, Rice, CFS
- **Restructure:** Wood, Dairy, Sugar & Sweeteners

**Rationalise sub-scale profit centres and countries with return norms below benchmark**

# Pathway 5: Improve operating efficiencies

5

## Improve operating efficiencies

**Achieve S\$50-60M (~10%) annual reduction on existing overhead cost base**

Streamline region and country structures; reduce support cost through shared services

**Streamline manufacturing overheads**  
(S\$30-40M annual impact)

**Continue to drive greater operating leverage in overheads**

*Release an estimated  
~S\$80-100M  
annual savings*

# Pathway 6: Enhance stakeholder communication

6

## Enhance stakeholder communication

**Supplement existing disclosure with details on investment performance**

**Strategy-in-Action: Set up a calendar of field visits to various Olam operations globally**

**Organise 'Investor days' for platform/ segment-wise presentation**

**Evaluate structure/ content of results announcements for easier interpretation and analysis**

# Summary of four priorities and 6 pathways

## 1 Accelerate free cash flow generation

- Become free cash flow positive by FY2014
- Reduce planned capex by ~S\$1B
- Generate additional cash of ~S\$1.5B

## 2 Reduce gearing

- Reduce gearing boundary condition from <2.5x to <2.0x by end of plan period

## 3 Reduce complexity

- Optimise portfolio and rationalise sub-scale profit centers

## 4 Promote better understanding of Olam's business

- Enhance stakeholder communication

## 1 Recalibrate pace of investments

- Reduce pace of capex by ~S\$1B

## 4 Reshape portfolio and reduce complexity

- Optimise portfolio (4 categories of platforms); rationalise profit centers not meeting productivity norms

## 2 Optimise Balance Sheet

- Release an estimated ~S\$500M of cash

## 5 Improve operating efficiencies

- Release an estimated ~S\$80-100M annual savings

## 3 Pursue opportunities for unlocking Intrinsic Value

- Release an estimated ~S\$1B of cash

## 6 Enhance stakeholder communication

- Provide additional details on performance, organise field visits and Investor days, etc.



# In Summary

- The Board has undertaken a **comprehensive review of Olam's business** with **extensive input** from various stakeholders
- Olam operates in a sector (agri-sector) with **positive Supply & Demand fundamentals** and attractive **long-term prospects**
- Olam has a **strong, differentiated and sustainable business model** which can deliver **profitable growth** and **cash flows**
- We are placing **increased emphasis on cash generation in the short term**, while still targeting **growth in earnings and returns in the medium to long term**
- This review has identified **concrete actions to significantly enhance shareholder value**. Under this plan the **Company will continue to achieve industry leading growth rates** in a **sustainable manner**
- Implementing this strategic plan will considerably **strengthen** the company, resulting in a **stronger balance sheet, improved operating performance, sustained positive free cash flows** and **enhanced stakeholder communication**

# Thank You

