

# Olam International Limited

## 16<sup>th</sup> Annual General Meeting

28<sup>th</sup> October 2010, Singapore

# DELIVERING OUR STRATEGY



# 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. 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.

# FY2010 Full Year Results: Key Metrics

## ✿ **Net Profit After Tax including exceptionals: S\$359.7 m**

- **42.7% growth** over FY2009

## ✿ **Net Profit After Tax excluding exceptionals: S\$272.1 m**

- **49.3% growth** over FY2009

## ✿ **Earnings per Share (EPS)**

- **17.91 cents/share** FY2010 vs 14.71 cents/share FY2009 (based on weighted average no. of shares)
- **21.8% growth** over FY2009

## ✿ **Net Asset Value (NAV before fair value adjustment)**

- **99.98 cents/share** FY2010 vs 71.44 cents/share FY2009
- **40.0% growth** over FY2009

# FY2010 Full Year Results: **Key Return Metrics**

## **ROE (BOP<sub>E</sub>)**

- **29.3%** in FY2010 vs 26.1% in FY2009
- **Equity Spread (ROE-K<sub>E</sub>) 19.3%**

## **ROE (Average)**

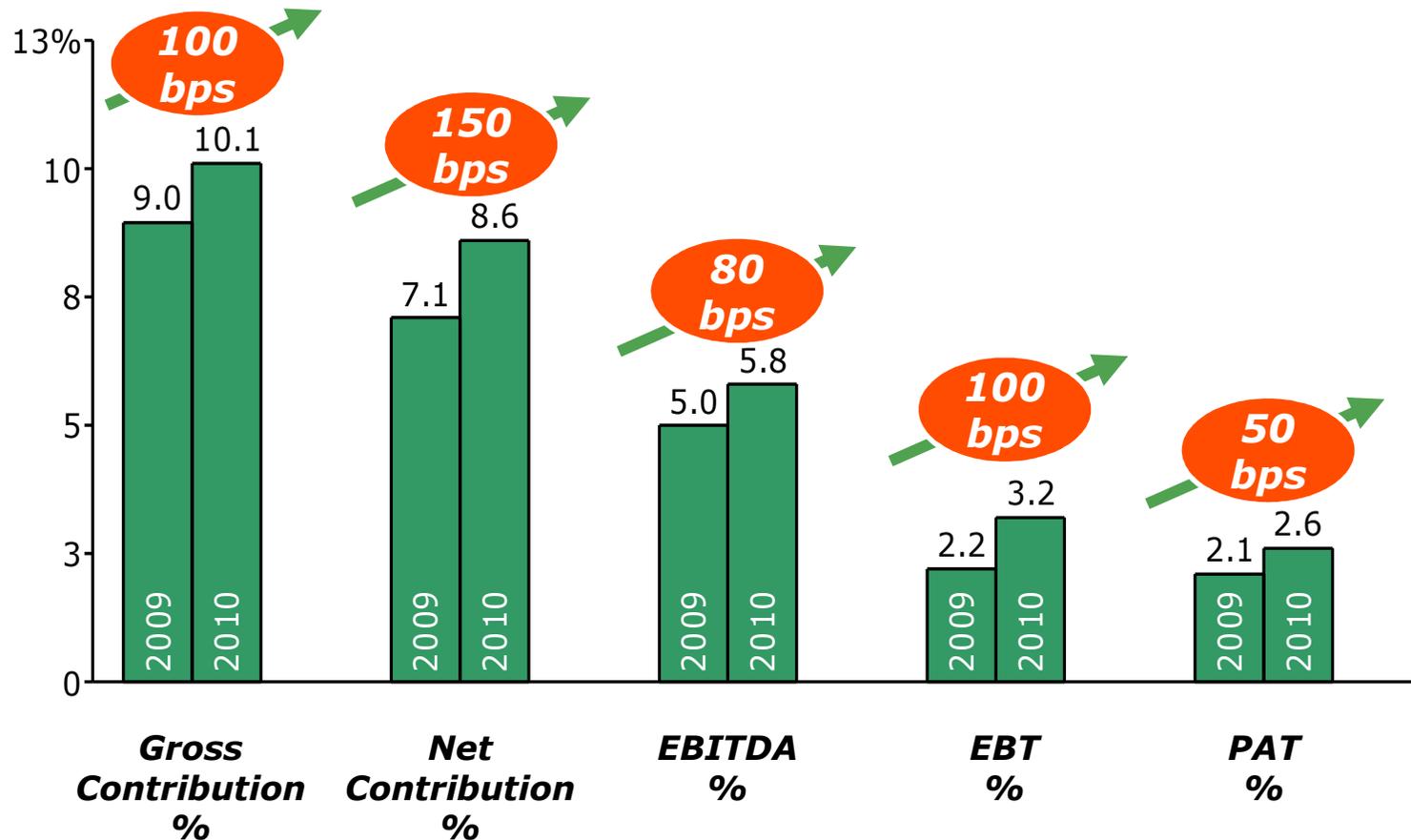
- **22.2%** in FY2010 vs 23.0% in FY2009

## **ROIC (Average)**

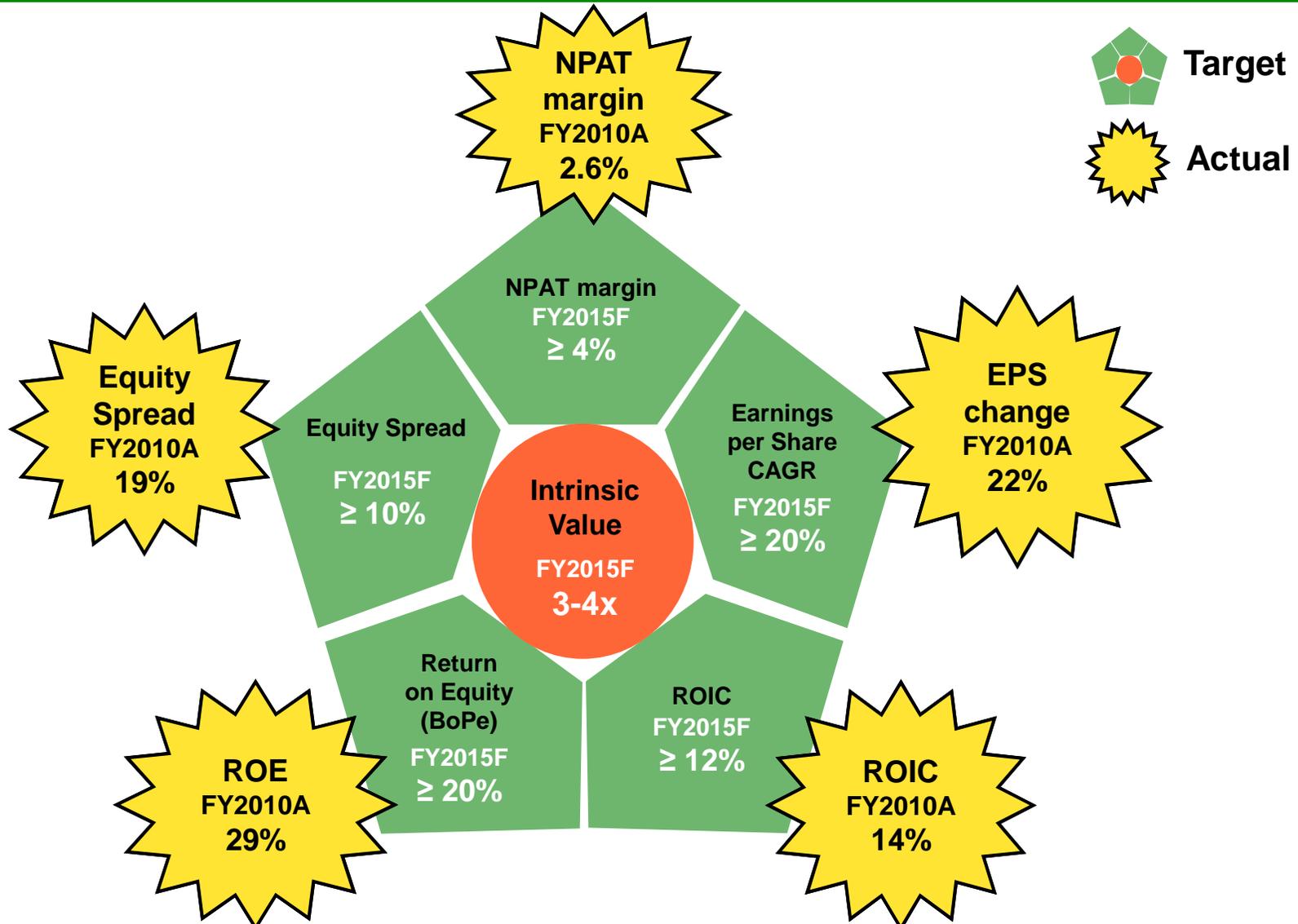
- **14.0%** in FY2010 vs 14.7% in FY2009
- **Total Capital Spread (ROIC-WACC) 6.8%**

# This year, we have registered a **strong increase** in **operating** and **after tax margins**

Olam Margin Performance (FY10)



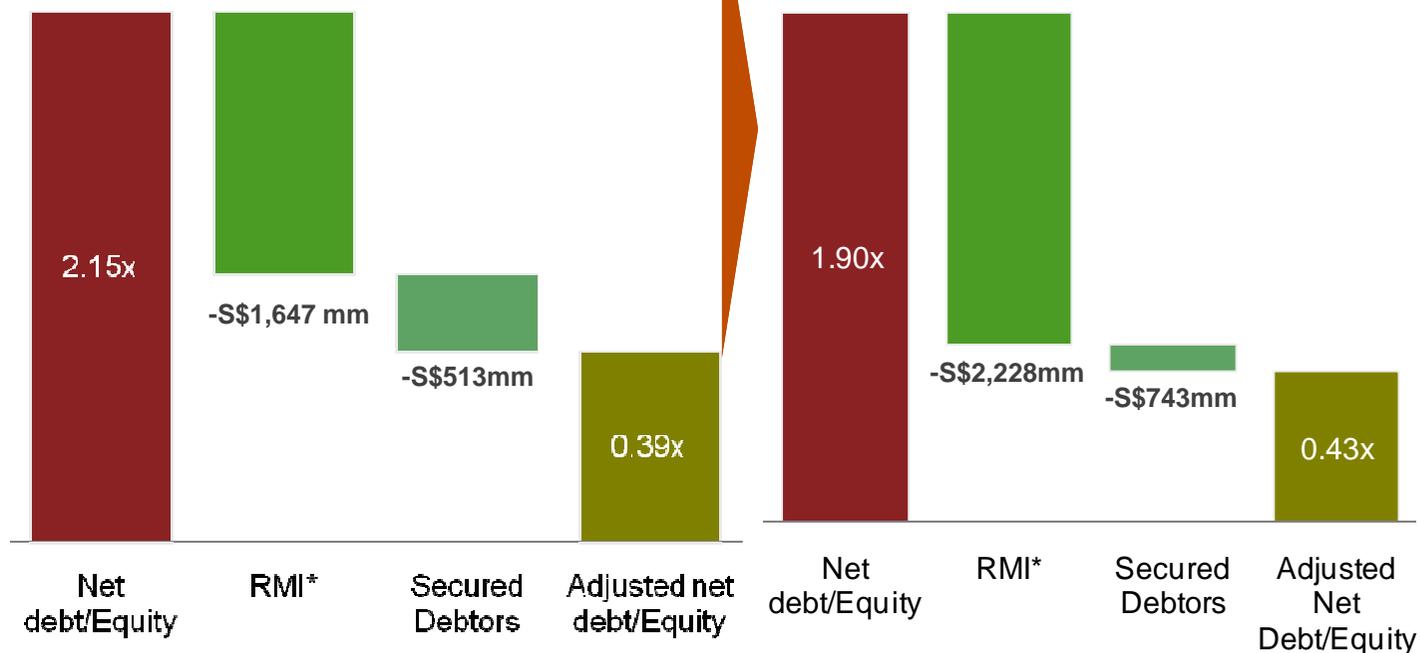
# Early results have exceeded expectations with strong trajectory towards achieving 2015 targets



# Conservative capital structure & financial policies

Net debt/Equity as of June 30, 2009 (x)

Net debt/Equity as of June 30, 2010 (x)



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

# In 2009, we announced our **6-year corporate strategy (FY2010-15)** to **increase our margins & grow intrinsic value**

**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**

Vision

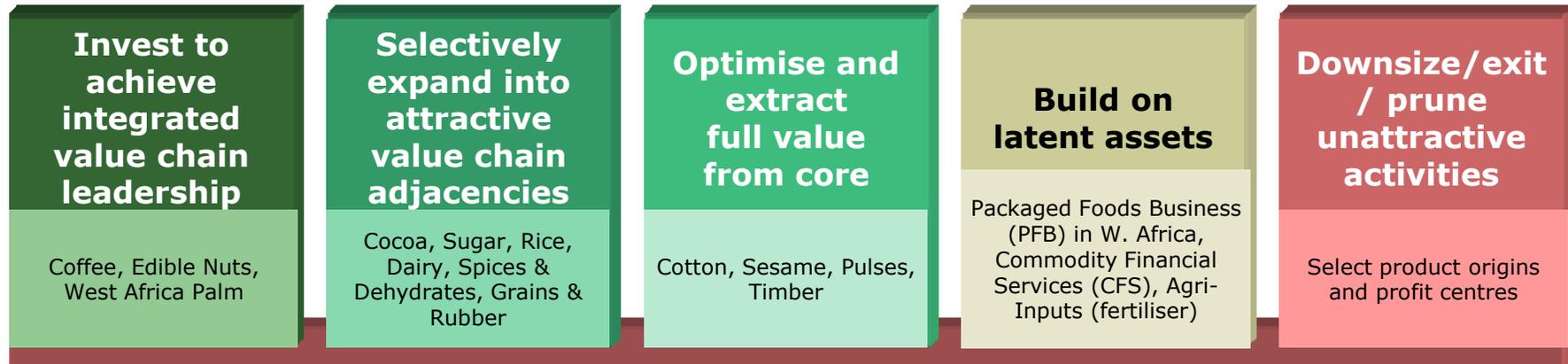
**To be the leading global supply chain manager and processor of agri-commodities by:**

- Serving growers and customers globally
- Pursuing select scalable & attractive niches in upstream (plantations/farming) and mid-stream (value added processing)
- Capitalising on our emerging markets expertise

Goals

- Increase Intrinsic Value by 3-4x over the next two 3-year cycles
- Pursue profitable growth & improve margin structure by selective participation in attractive value chain adjacencies (upstream & mid-stream)
- Maintain financial and strategic flexibility for a wide range of economic scenarios (developing minimalist, balanced & unconstrained plans)
- Be widely recognised as a responsible and sustainable value creator

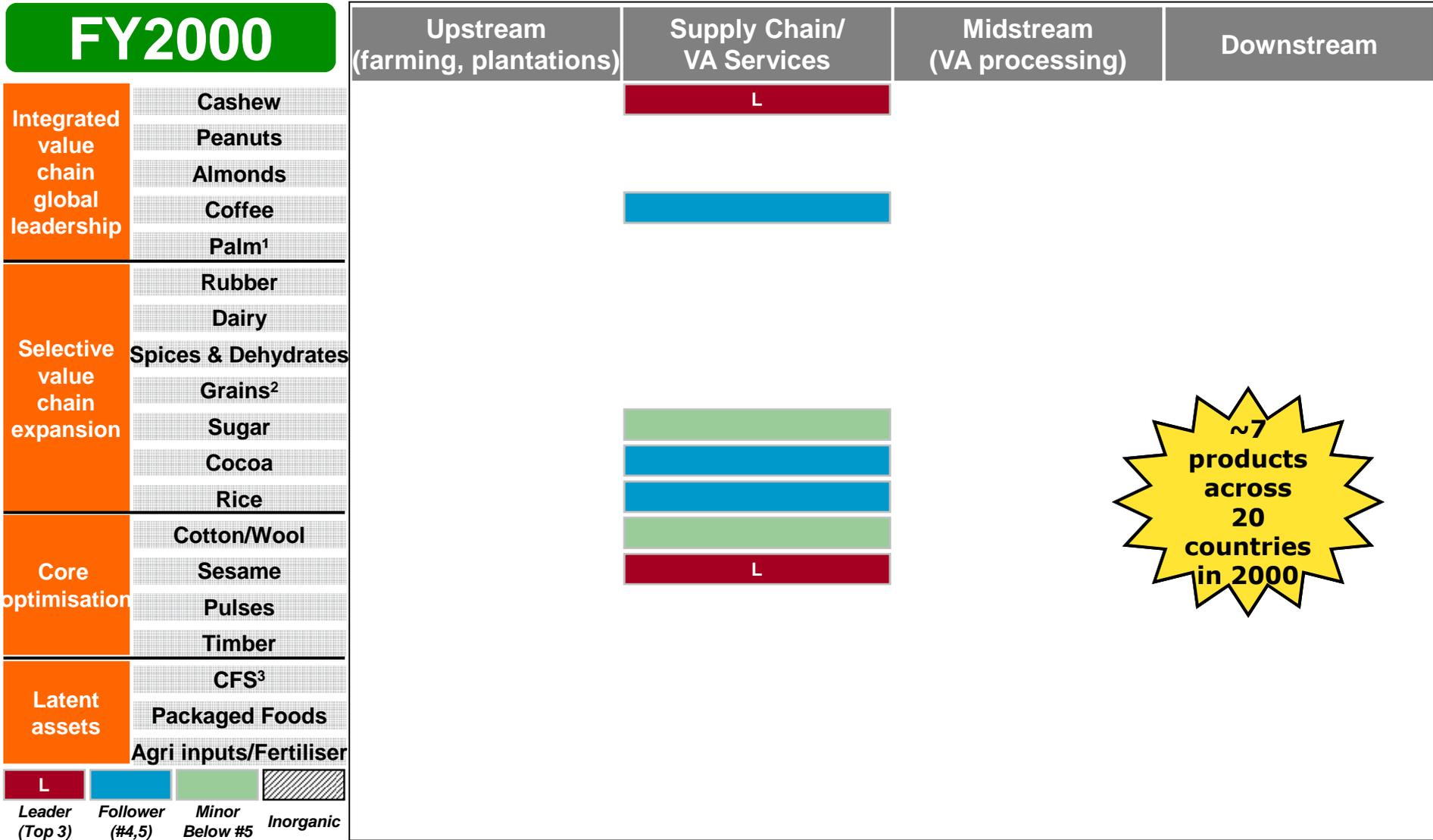
Strategic thrusts



Enablers

- |                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                             |                                                                                                                                                                                    |                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Excellence in execution</b>                                                                                                                                                                                                                                                                             | <b>M&amp;A effectiveness</b>                                                                                                                                                                                                | <b>Capital efficacy</b>                                                                                                                                                            | <b>People &amp; Values</b>                                                                                                                                                                                                                               |
| <ul style="list-style-type: none"> <li>• Institutionalise Program Management capabilities</li> <li>• Acquire capabilities in upstream plantation/ farm management &amp; midstream VA processing</li> <li>• Complexity management</li> <li>• Scalable IT, Risk, Control &amp; Compliance systems</li> </ul> | <ul style="list-style-type: none"> <li>• Actively build M&amp;A pipeline and develop prioritisation</li> <li>• Deepen due diligence capabilities</li> <li>• Institutionalise best-in-class integration practices</li> </ul> | <ul style="list-style-type: none"> <li>• Strengthen capital structure and build financial flexibility</li> <li>• Continuously improve overhead and capital productivity</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to grow global talent pool</li> <li>• Deepen entrepreneurial culture</li> <li>• Continue to embed stretch and ambition</li> <li>• Create ownership culture</li> <li>• Build empowered teams</li> </ul> |

# In 2000, we were an **asset light supply chain manager** focused on a single commodity asset class (**agri complex**)



# Even as recent as FY2005, we remained an asset light supply chain manager focused on a single commodity asset class (agri complex)

FY2005		Upstream (farming, plantations)	Supply Chain/ VA Services	Midstream (VA processing)	Downstream
Integrated value chain global leadership	Cashew		L		
	Peanuts				
	Almonds				
	Coffee		L		
	Palm <sup>1</sup>				
Selective value chain expansion	Rubber				
	Dairy				
	Spices & Dehydrates				
	Grains <sup>2</sup>				
	Sugar				
	Cocoa				
	Rice		L		
Core optimisation	Cotton/Wool				
	Sesame		L		
	Pulses				
	Timber				
Latent assets	CFS <sup>3</sup>				
	Packaged Foods				
	Agri inputs/Fertiliser				

**~13 products across 40 countries by 2005**

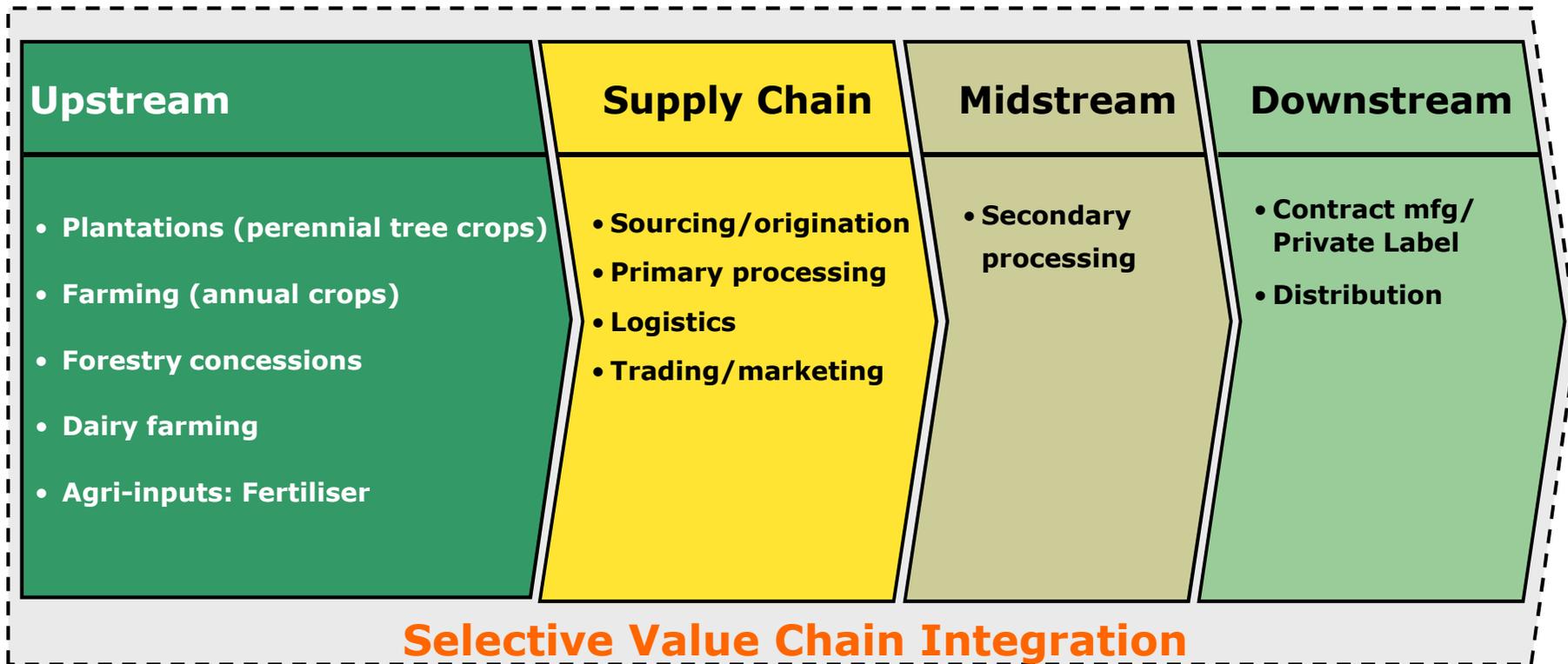
L	Follower (#4,5)	Minor Below #5	Inorganic
Leader (Top 3)	Follower (#4,5)	Minor Below #5	Inorganic



1 In West Africa  
2 Africa  
3 Commodity Financial Services

VAS = Value Added Services

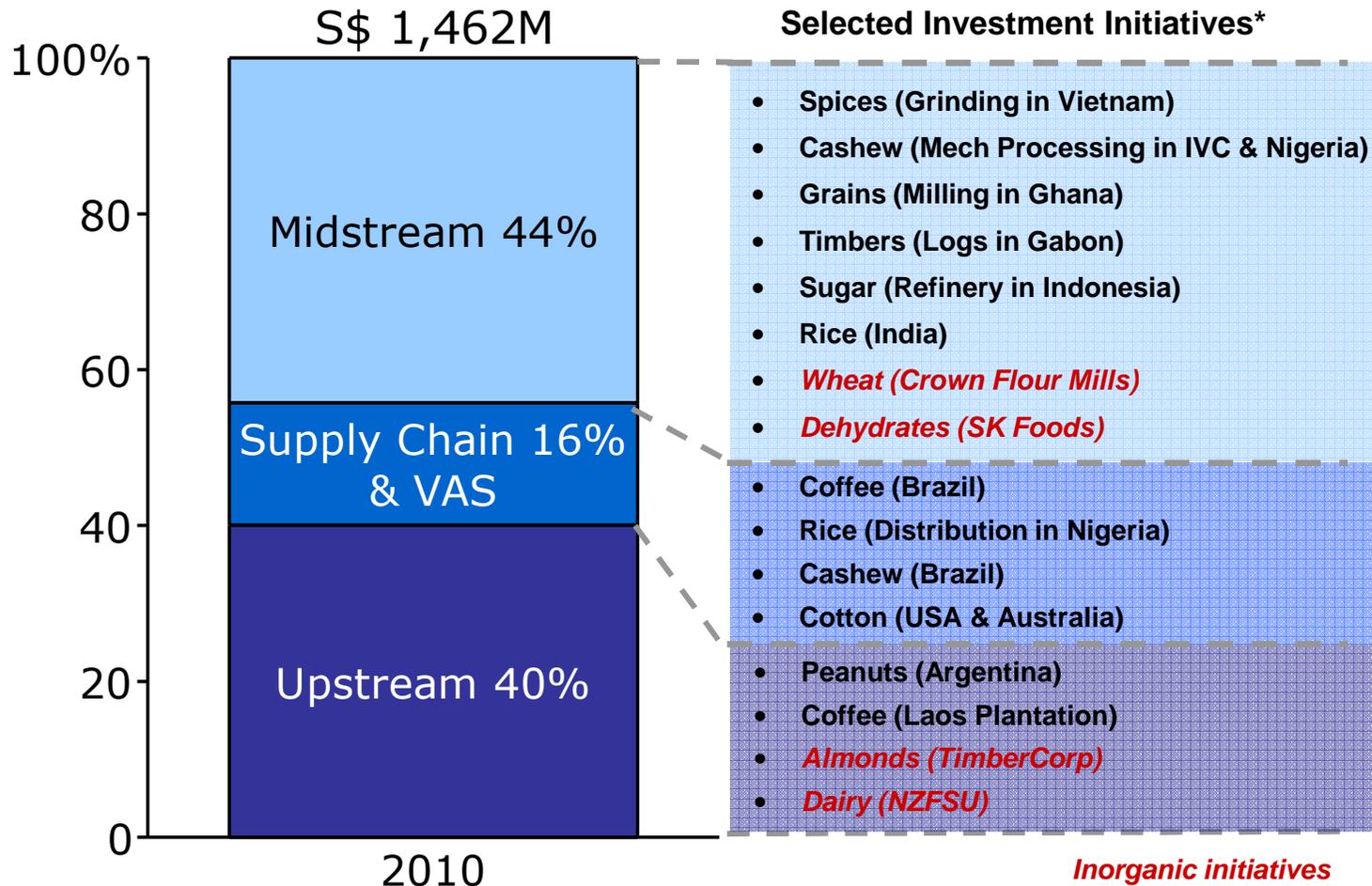
We analysed the distribution of the **profit pool** with the objective of **selectively integrating** into **higher margin value chain segments** to **enhance margins**



- ❖ What is the **distribution of the profit pool** within the various segments of the value chain? What is the **size of the prize in each part/segment**?
- ❖ What is our **winnability**? Can we **acquire or build competencies** required to **win** in the more **attractive parts of the value chain**?

# We have invested significantly across prioritised value chain segments in line with our Corporate Strategy

## FY10 Total Investments (organic and inorganic)\*

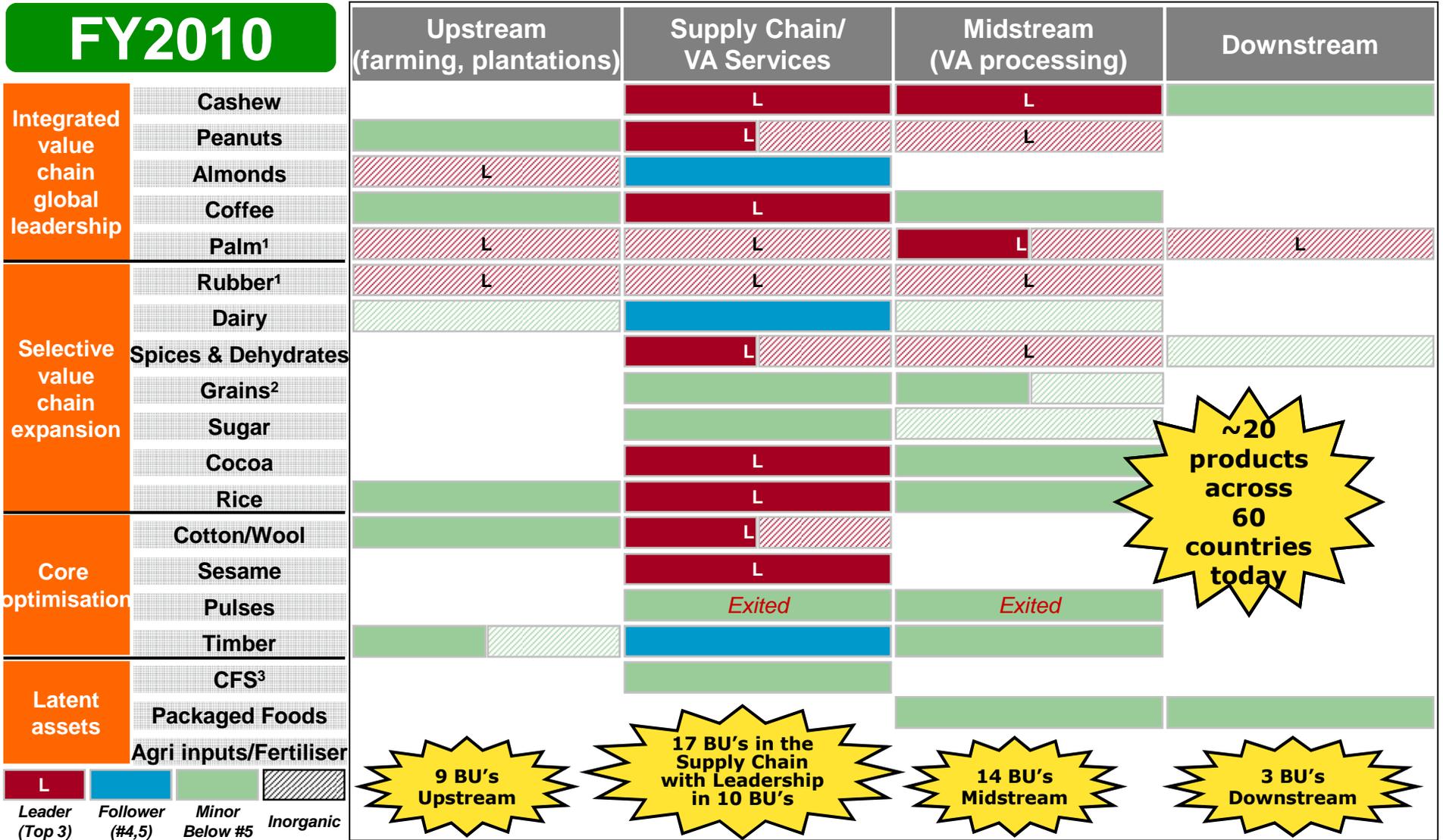


Note: \*Excludes Gilroy Acquisition (S\$ 350M) which was completed in July 2010

# All initiatives are on strategy; ~80% of initiatives identified in the 2009 Corporate Plan are either **executed** or on track

"On plan" <i>"New initiatives"</i>		Invest to achieve integrated value chain leadership	Selectively expand into attractive value chain adjacencies	Optimise and extract full value from core	Build on latent assets
"On strategy"	Executed & Contributing	<ul style="list-style-type: none"> <li>Almonds: Orchards &amp; processing, Australia</li> <li>Ingredients Mfg (roast ready and ingredients quality) in Vietnam and US</li> </ul>	<ul style="list-style-type: none"> <li>Spices &amp; Dehydrates:                             <ul style="list-style-type: none"> <li>- Tomato Paste Mfg, US</li> </ul> </li> <li>Grains: Wheat milling (CFM), Nigeria</li> <li>Sugar: Refining, Indonesia</li> <li>Rice:                             <ul style="list-style-type: none"> <li>- Rice Logistics, Thailand</li> <li>- Rice Bulk Shipment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Cotton</li> <li>Sesame</li> <li>Timber</li> </ul>	<ul style="list-style-type: none"> <li>CFS: Relative Value Fund launched</li> <li>Scaling up market making and volatility arbitrage trading</li> </ul>
	Executed & Gestating	<ul style="list-style-type: none"> <li>Cashew: Mechanical Processing, IVC &amp; Nigeria</li> <li>Coffee:                             <ul style="list-style-type: none"> <li>- Plantations, Laos</li> <li>- Soluble Coffee Mfg, Vietnam</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Dairy: SCM/Mfg, IVC</li> <li>Grains: Greenfield wheat milling, Ghana</li> <li>Spices &amp; Dehydrates: <i>Gilroy Foods, US</i></li> <li>Dairy: <i>Farming, Uruguay</i></li> <li>Cocoa: <i>Processing, IVC &amp; Nigeria</i></li> </ul>		<ul style="list-style-type: none"> <li>PFB: Tomato Paste sachet mfg, Nigeria</li> </ul>
	Under Evaluation	<ul style="list-style-type: none"> <li>Adjacent edible nuts growth opportunities (Pecans, Walnuts, Hazels &amp; Pistachios)</li> <li>Almonds orchards &amp; processing, USA</li> <li>Palm: Plantations, crushing, refining, West Africa</li> </ul>	<ul style="list-style-type: none"> <li>Sugar:                             <ul style="list-style-type: none"> <li>- Milling, India &amp; Brazil</li> <li>- Refining, Africa</li> <li>- <i>Milling, Indonesia</i></li> </ul> </li> <li><i>Wheat Milling, Africa</i></li> <li><i>Rubber Plantations</i></li> </ul>		<ul style="list-style-type: none"> <li>Cotton: Warehouse, US</li> <li>Timber:                             <ul style="list-style-type: none"> <li>- Timber Logs, Africa</li> <li>- Timber concession, Africa</li> <li>- <i>Teak Plantation concessions, South/Central America</i></li> </ul> </li> </ul>
"Off strategy"	No "Off Strategy" initiatives				

As a result, we have now developed a more **integrated, well diversified, uniquely shaped portfolio** still focused on a single commodity asset class (**agri complex**)



1 In West Africa  
 2 Africa  
 3 Commodity Financial Services

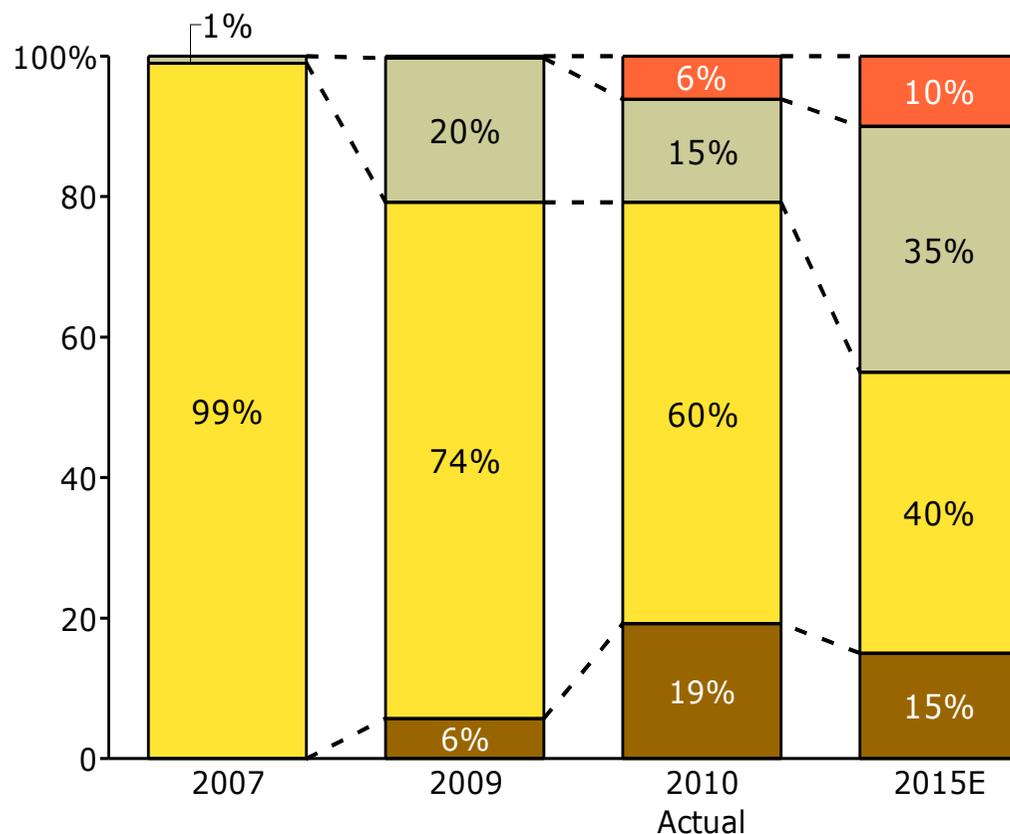
VAS = Value Added Services

# Value Chain Integration: Outcome/Results

Value Chain Initiatives	Sales Revenue (in S\$'000)		Net Contribution (NC) (in S\$'000)		EBITDA (in S\$'000)	
	Jun 10	Jun 09	Jun 10	Jun 09	Jun 10	Jun 09
Supply Chain & VAS	9,162,602	7,809,296	635,071	469,226	403,768	351,932
Margin (%)			6.9%	6.0%	4.4%	4.5%
Upstream	219,084	19,758	110,354	14,747	98,824	13,138
Margin (%)			50.4%	74.6%	45.1%	66.5%
Midstream & Downstream	1,073,346	758,878	155,569	123,278	105,541	65,234
Margin (%)			14.5%	16.2%	9.8%	8.6%
Total	10,455,032	8,587,932	900,984	607,251	608,137	430,305
Margin (%)			8.6%	7.1%	5.8%	5.0%

# Significant inroads made in selectively integrating into more profitable parts of the value chain

Olam EBT breakdown by value chain



## Midstream/Downstream

- **Robust FY2010 growth:** NC by 26.3% to S\$156M and EBITDA by 61.8% to S\$106M
- **19 mid/downstream initiatives** executed in FY2010, of which 14 are contributing and 5 are still in gestation
- **Strong contributors include** Tomato Paste Mfg in USA (**SK Foods**), Peanuts Ingredients Mfg in USA (**Universal Blanchers**) and Sugar refining in Indonesia (**PT DUS**)

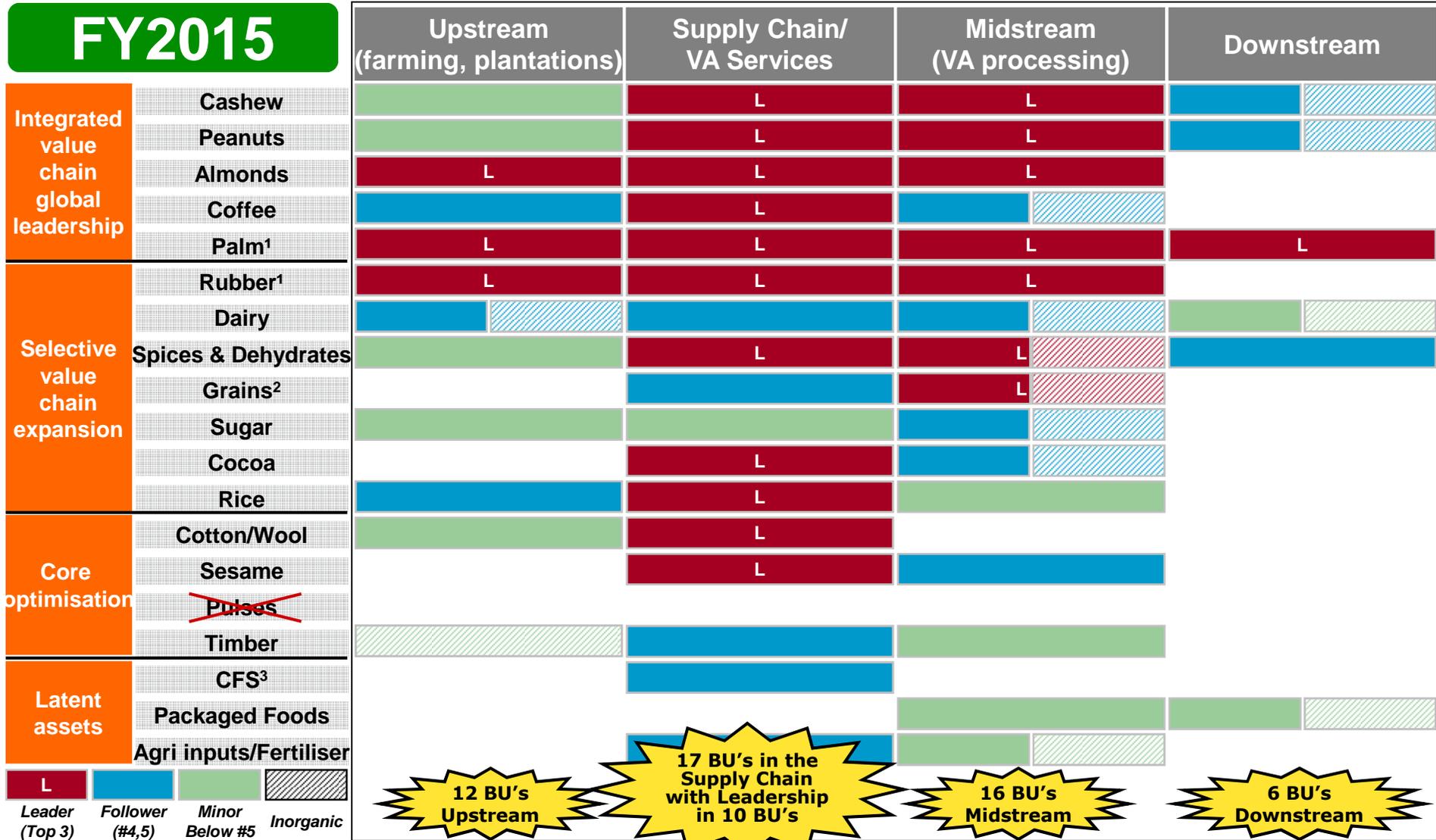
## Supply Chain/VAS

- **Revenues grew** by 17.3%, **NC** by 29.6% and **NC per ton** by 19.1% in FY2010
- **Cotton, cocoa, coffee, edible nuts, spices & dehydrates, rice, sugar, grains** and **sesame** have all contributed to strong supply chain performance

## Upstream

- **Very strong FY2010 growth:** NC & EBITDA increased to S\$110M (648%) and S\$99M (652%) respectively
- **9 upstream initiatives** executed in FY2010, of which **7 are contributing** and 2 are still in gestation
- Key contributors include Almonds Orchards in Australia (**TimberCorp**) and **Nauvu**

We intend to continue developing a **more integrated, well diversified, uniquely shaped portfolio** still focused on a single commodity asset class (**agri complex**)



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2 Africa  
3 Commodity Financial Services

VAS = Value Added Services

# Importantly, we have also acquired and **established strong capabilities to execute** on our **strategic thrusts**

## **Excellence in Execution**

- Program office established to oversee and monitor execution of **strategic initiatives**
- Good progress in building **upstream** and **midstream capabilities**
  - Product development, technical expertise and quality specifications
  - Management expertise: hired Upstream experts (14), Midstream technical experts (105)
- Strengthened **system capabilities**
  - Eg. SAP, MUREX (CFS), audit & compliance systems

## **Capital Efficacy**

- Built Balance Sheet flexibility through **innovative sources** of funding including raising:
  - S\$ 420M equity investment from Temasek
  - S\$ 700M 7-year CB issuance
  - S\$ 1,190M syndicated term loan facility
  - S\$ 140M Islamic loan facility
  - S\$ 250M MTN issuance
  - S\$ 350M 10-year unrated bond issuance (1<sup>st</sup> in SG)
- Gearing **lowered** since FY08 (**2.4 to 1.7**)

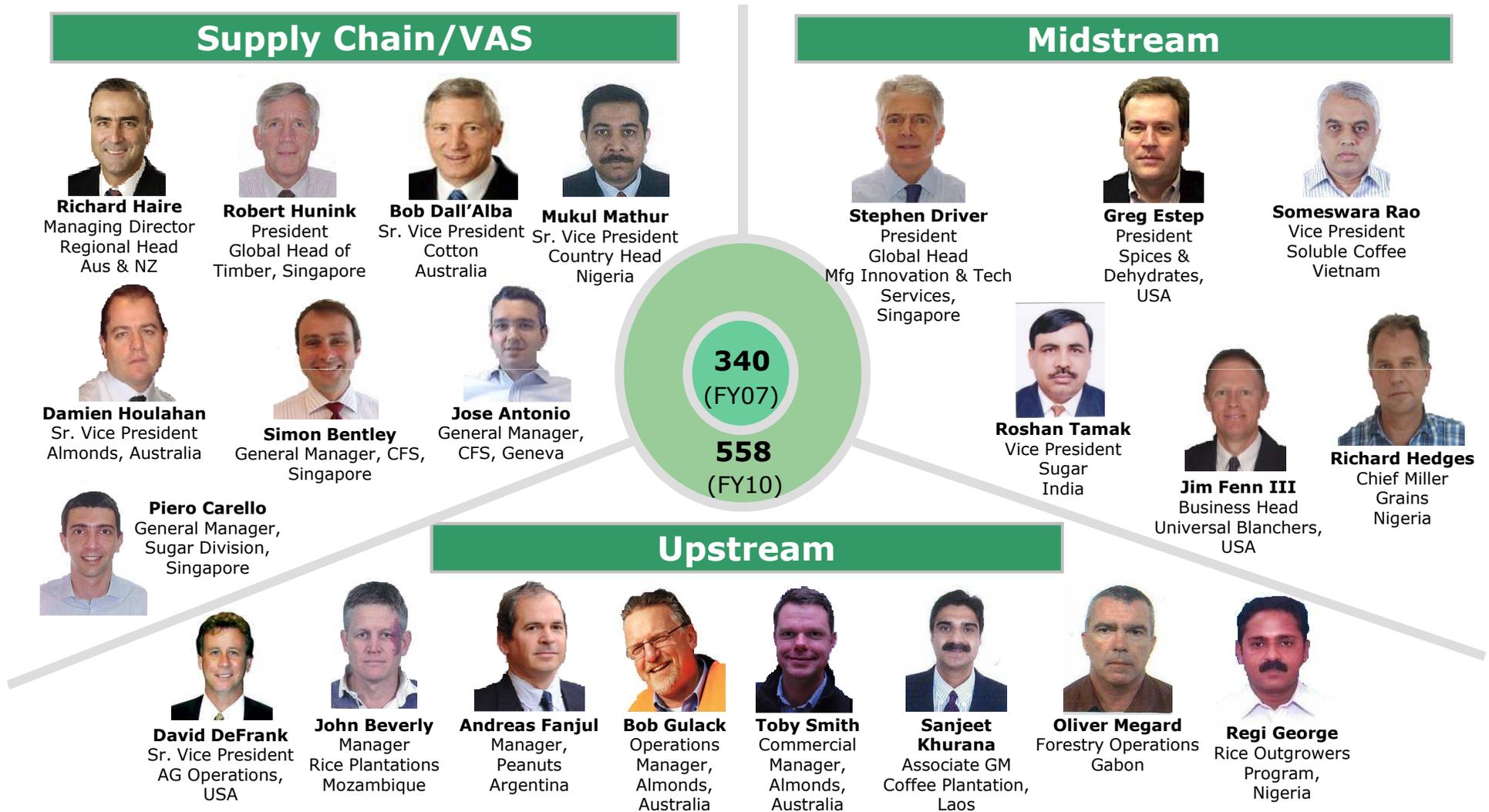
## **M&A Effectiveness**

- Well defined **M&A discipline**, aligned with **corporate strategy** and **goals**
- **Dedicated core M&A team** with extensive industry experience
- Robust pipeline and rigorous **deal prioritisation** process
- Strengthened **due diligence** and **post merger integration** capabilities

## **People & Values**

- **Fortune/Hewitt/RBL** named Olam as one of the **top 25** firms globally for **building leaders**
- **Expanded operational capabilities:** Grew Global Assignee Talent Pool, (GATP), **from 340 (FY07) to 558 (FY10)**
- **Low attrition rate** including **high retention** from all **acquisitions**
- Continued fostering of **entrepreneurial culture**
- Specialized milestone training programs

# We are building a capable, culturally diverse and cross-functional talent base



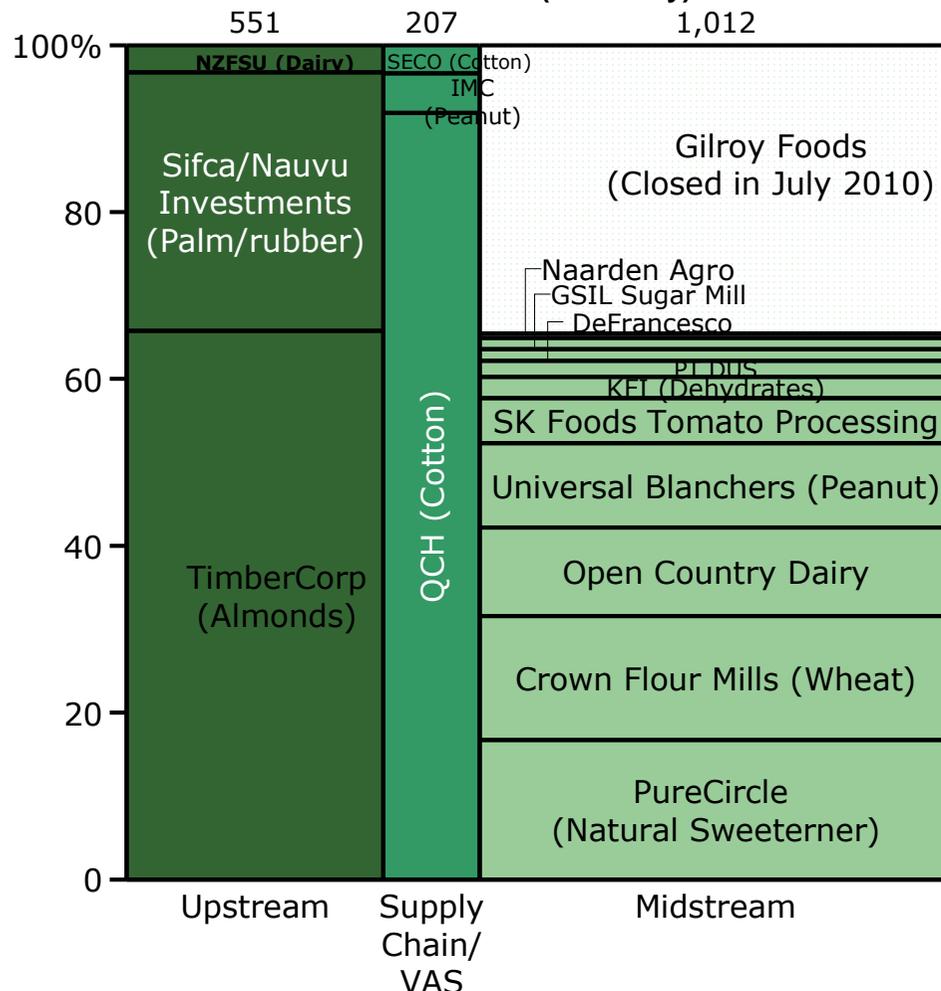
# Significant acquisitions and investments made across the value chain

		FY2007	FY2008	FY2009	FY2010
Foods	Edible Nuts, Spices & Beans	Universal Blanchers, LLC.	KFI	De Francesco IMC	OTP (Formerly SK Foods) TIMBERCORP AGRIBUSINESS INVESTMENT MANAGERS Gilroy Foods*
	Confectionery & Beverage Ingredients		Naarden Agro Products BV	OpenCountry	
	Food Staples & Packaged Foods		PT DUS SIFCA	PureCircle GSIL Sugar Mill	CROWN FLOUR MILLS NZ Farming Systems URUGUAY
Industrials	Industrial Raw Materials		QUEENSLAND COTTON SECO		

3 Supply Chain/VAS  
 3 Upstream  
 11 Midstream  
 4 Equity stake investments

# Strong acquisitions & investments track record: on strategy and delivering healthy returns

Olam acquisitions and investments 2007-2010 (S\$ M) Total = S\$ 1,770  
 Total (ex. Gilroy) = S\$ 1,422M



- 17 deals completed
- ~S\$1.4B\* in total investments
- ~S\$280M\* Net Contribution accretion achieved in FY2010
- 25% ROE on acquisitions
- 14% ROIC on acquisitions

Note:\*Excludes Gilroy Foods (Acquisition completed in July 2010)



Note: Exchange rate assumed for all deals: US\$1=S\$1.4

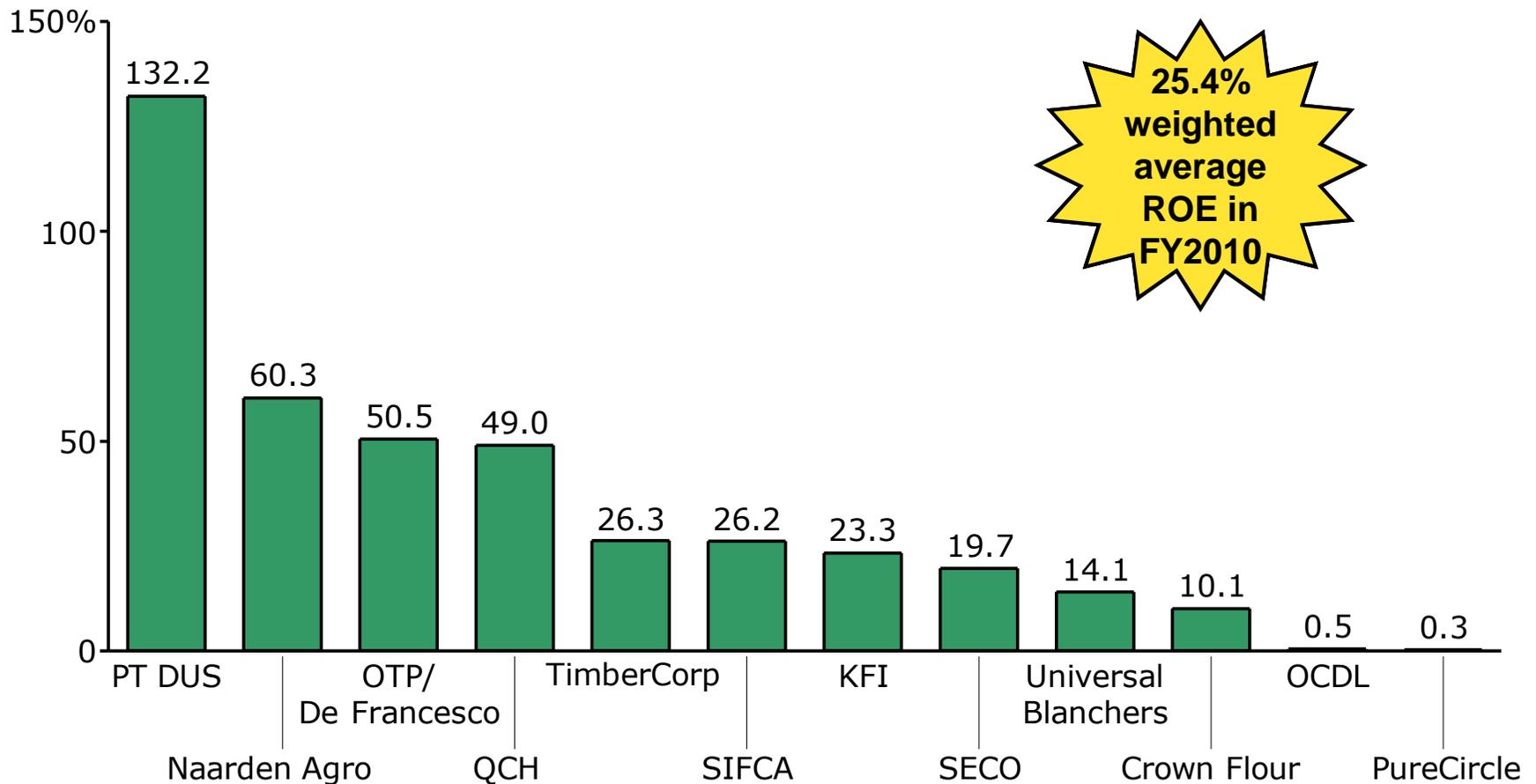
# Contribution from Acquisitions

(in S\$ million)	FY2010	FY2009
Volume (Metric Tons)	7,006,478	5,720,640
Sales	10,455.0	8,587.9
NC	901.0	607.2
NC Margin %	8.6%	7.1%
EBITDA	607.2	430.3
EBITDA Margin %	5.8%	5.0%

(in S\$ million)	FY2010		FY2009		% Increase	
	Existing Businesses	Acquired Businesses	Existing Businesses	Acquired Businesses	Existing Businesses	Acquired Businesses
Volume (Metric Tons)	5,676.9	1,329.6	4,784.4	936.2	18.7%	42.0%
Sales	8,820.7	1,634.3	7,529.4	1,058.5	17.2%	54.4%
NC	638.3	262.7	465.8	141.4	37.0%	85.7%
NC Share %	70.8%	29.2%	76.7%	23.3%		
NC Margin %	7.2%	16.1%	6.2%	13.4%		
EBITDA	401.6	206.5	376.6	53.7	6.4%	284.8%
EBITDA Share %	66.0%	34.0%	87.5%	12.5%		
EBITDA Margin %	4.5%	12.6%	5.0%	5.1%		

# 14 out of 17 deals are tracking above investment theses; steady state returns expected to be higher

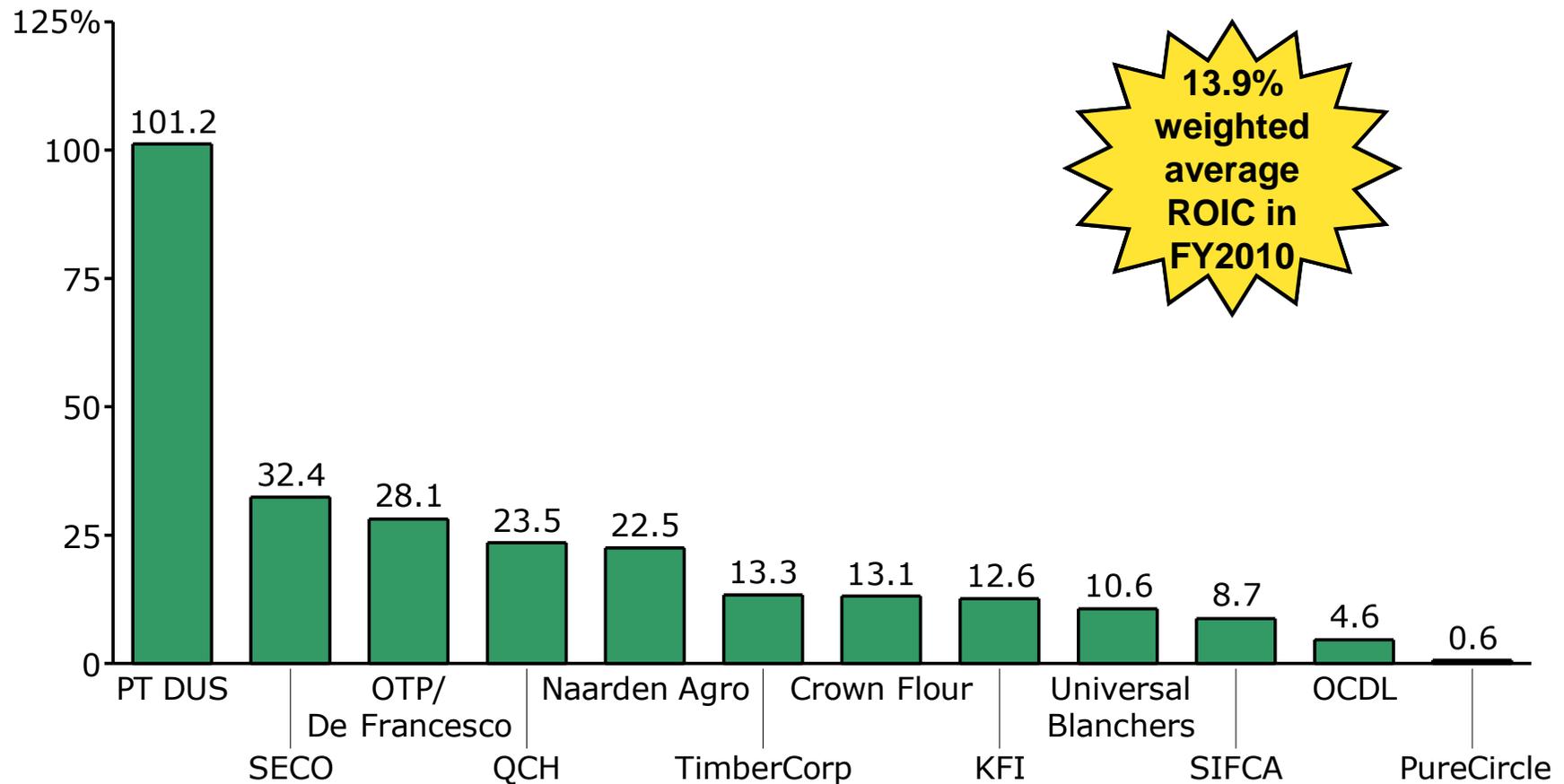
Olam Acquisitions Performance (FY10)  
Return on Equity (ROE)



Note: Excluded deals – GSIL (insignificant), IMC (tbd), NZFS (held for trade) and Gilroy Foods (completed post June 2010)

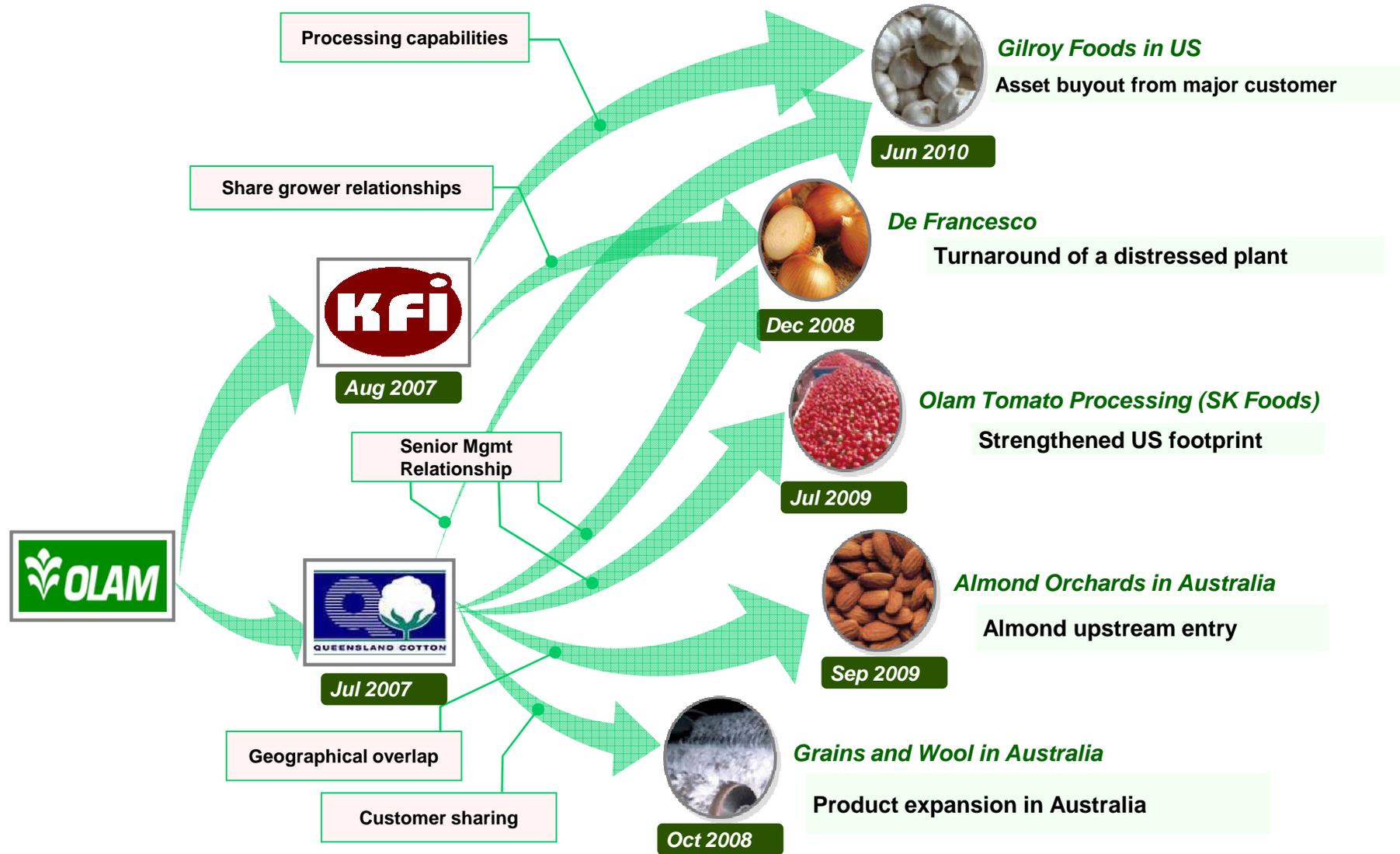
# 14 out of 17 deals are tracking above investment theses; steady state returns expected to be higher

Olam Acquisitions Performance (FY10)  
Return on Invested Capital (ROIC)



Note: Excluded deals – GSIL (insignificant), IMC (tbd), NZFS (held for trade) and Gilroy Foods (completed post June 2010)

# Pivotal acquisitions of QCH and KFI have helped create a substantial earnings platform



# Recognitions in FY2010

## Recipient of :

- ❖ **Most Transparent Company, SIAS Investors Choice Awards 2010**
- ❖ **Excellence in Innovation, Frost & Sullivan Growth Excellence Awards 2010**
- ❖ **Forbes Asia's Fabulous 50, 2009 & 2010**
- ❖ **Large Cap Corporate of the Year (2009), Singapore by Asiamoney**
- ❖ **Global Top Company for Leaders and Top Company for Leaders in Asia Pacific 2009 by Hewitt Associates, The RBL Group and Fortune**

Thank You

