



**Olam International Limited**

## **Annual General Meeting: Presentation**

29<sup>th</sup> October 2008 | 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 the press release and in the management discussion and analysis section of the company's Fourth Quarter & Full Year FY2008 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.



# FY2008: Milestone Year



## FY2008: Milestone Year - All Metrics Improve

	FY2007	FY2008	Change	% change
Volume (million mts)	3,772.8	4,926.3	1,153.5	30.6
Revenue (S\$'m)	5,455.5	8,111.9	2,656.4	48.7
Gross Contribution (S\$'m)	489.7	681.9	192.2	39.2
GC/ton	130	138	8	6.6
Net Contribution (S\$'m)	351.4	504.0	152.6	43.4
NC/ton	93	102	9	9.8

## FY2008: Milestone Year - All Metrics Improve

	FY2007	FY2008	Change	% change
NPAT (S\$m)	109.0	167.7	58.7	53.8
EPS (cents/share)	6.85	10.28	3.43	50.0
ROE (BOP <sub>E</sub> ) (%)	20.6	28.7	8.1%	39.3
ROIC (Avg Invested Capital) (%)	12.35	13.28	0.93%	7.5
Equity Spread (ROE-K <sub>E</sub> ) (%)	11.6	19.7	8.1%	69.8
Capital Spread (ROIC-WACC) %	5.41	6.34	0.93%	17.2

## Organic vs Inorganic: FY2008

Description	FY2008			FY2007	% increase Total	% Increase Existing business
	Existing Business	New Business	Total	Total		
Volume (metric tons)	4,530,106	386,209	4,926,315	3,772,820	30.6%	20.1%
Revenue (S\$'000)	7,249,216	862,694	8,111,910	5,455,508	48.7%	32.9%
Net Contribution (S\$'000)	414,090	89,921	504,011	351,441	43.4%	17.8%
SG & A	247,047	91,969	339,016	225,230	50.5%	9.7%
PAT	149,022	18,681	167,703	109,046	53.8%	36.7%

## Earning Analysis

	<b>FY2008 S\$million</b>	<b>FY2007 S\$million</b>	<b>% Change</b>
Reported Earnings	167.7	109.0	53.9%
Operational Earnings	150.8	109.0	38.3%
Core / Cash Earnings	156.4	114.6	36.5%



## Global Stock Market Performance: Year-to-date

All indices	2/1/2008	24/10/2008	% change
Dow Jones	13,043	8,378	-36%
Nasdaq	2,609	1,552	-41%
S&P	1,447	876	-39%
Eurostoxx	4,339	2,335	-46%
FTSE 100	6,417	3,884	-39%
MSCI AEJ	615	246	-60%
Nikkei 225	14,691	7,649	-48%
HangSeng	27,560	13,760	-50%
H-Share	16,006	5,803	-64%
JCI	2,732	1,245	-54%
KLCI	1,436	859	-40%
Kospi	1,803	939	-48%
Sensex	20,300	8,701	-57%
SET-Thailand	843	433	-49%
STI	3,444	1,600	-54%
TWSE	8,323	4,399	-47%



## Peer Group Stock Market Performance

Company / STI	2/1/2008	28/10/2008	% change
<b>Olam</b>	<b>2.79</b>	<b>1.09</b>	<b>-60.9%</b>
<b>Wilmar</b>	<b>5.38</b>	<b>2.02</b>	<b>-62.5%</b>
<b>Noble</b>	<b>2.02</b>	<b>0.595</b>	<b>-70.5%</b>
<b>STI</b>	<b>3461</b>	<b>1666</b>	<b>-51.9%</b>

## Olam: Analyst Coverage

Brokerage			
1. Cazenove	5. DAIWA	9. JP Morgan	13. Nomura
2. CIMB	6. DBS Vickers	10. Kim Eng	14. Phillip
3. CLSA	7. Deutsche	11. Macquarie	15. UBS
4. Credit Suisse	8. DMG & Partners	12. Merrill Lynch	16. UOB Kay Hian

# Consenses Price Target

Brokerage	Target Price (S\$ / share)	Buy/ Outperform/ Overweight	Neutral/ Hold	Sell/ Underperform
AB Amro	0.94			X
Cazenove	4.00	X		
CIMB	1.93			X
CLSA	1.61			X
Credit Suisse	3.65	X		
DAIWA	4.01	X		
DBSVickers	2.98	X		
Deutsche	3.00	X		
DMG & Partners	3.20	X		
JP Morgan	2.50	X		
Kim Eng	3.21	X		
Macquarie	3.90	X		
Merrill Lynch	2.60		X	
Nomura	3.60	X		
Phillip	3.57	X		
UBS	1.96	X		
UOBKayHian	2.88		X	
<b>CONSENSUS</b>	<b>2.80</b>			
		12	2	3

# Delivering the Olam Model

The Olam model, the way we do business, has helped us achieve consistent business results over the last 19 years across commodity cycles and economic cycles.





# The Olam Model

## THE OLAM MODEL

The Olam model, the way we do business, has helped us achieve consistent business results over the last 19 years across commodity cycles and economic cycles. The Olam model is centered around these 10 building blocks.

### MAXIMISE

fundamental intrinsic  
shareholder value over time for  
our continuing shareholders

### FOCUSED

on a single commodity  
asset class: **agricultural  
complex** helping build  
**market leading positions**

### DIVERSIFIED

broadly across 17 agri-  
commodities, 60 countries,  
200,000 suppliers and  
6,500 customers leading to  
**consistency in earnings**

### SUPPLY CHAIN MANAGER

not a positional / directional /  
proprietary trader leading to  
**stability in earnings**



# The Olam Model

## DIFFERENTIATED

through out-originating our competitors and providing differentiated marketing solutions and services helping us grow at **above market growth rates**

## DISCIPLINED INORGANIC GROWTH

securing **excess returns** through acquiring earnings and value accretive businesses offering clear strategic fit to our core business and helping **accelerate profitable growth**

## ADJACENCY BASED ORGANIC GROWTH

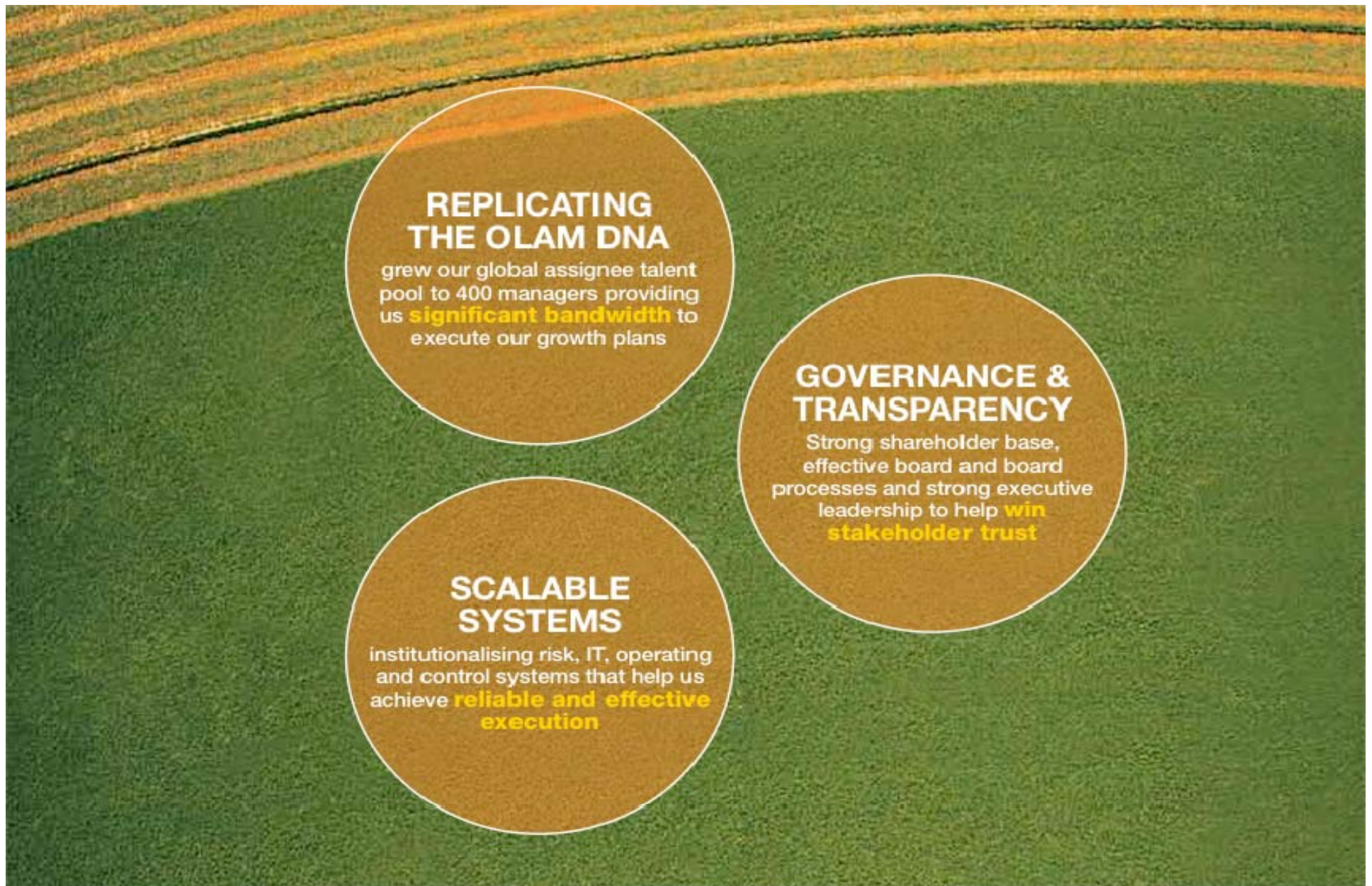
proven growth model of exploiting **adjacent opportunities** that share suppliers, customers, channels, costs and capabilities with existing businesses providing us **good growth visibility**

## RAISING CAPITAL

to support growth. We raised S\$307 million of equity capital, S\$425 million of CB and **grew total credit facilities by 34%** over the last 12 months under challenging credit and capital market conditions



# The Olam Model



## M & A : Lifting Portfolio Equity and Capital Spreads

- ✿ No. of deals announced : 10
- ✿ Total Investments : US\$623.7m (S\$857.5m)

	FY11 Target	FY14 Target
Net Earnings Accretion	S\$90 m	S\$150 m
ROE of Acquisitions	34%	54%
Impact on Portfolio Equity Spread (ROE – $K_e$ )	15% (+4%)	23% (+12%)
ROIC of Acquisitions	15%	22%
Impact on Portfolio ROIC spread (ROIC – WACC)	4% (+1%)	6% (+3%)
Average entry PER	5.0 x	
Average entry EV/EBITDA	4.3 x	
Equity IRR	40.1%	



# Global slowdown: Impact on demand

- ✿ Olam's portfolio mainly comprises primary agricultural products where demand is mostly neutral to economic conditions
- ✿ Demand growth over few decades has been in low single digits
- ✿ Source of growth for Olam - not only based on demand growth but also through market share increase
- ✿ New businesses will contribute to volume growth
- ✿ Olam's volume growth plans at 16% - 20% is achievable
- ✿ Impact of slow demand would largely impact our fiber and wood product segment, and to a lesser extent, the cocoa business

# Olam FY2009: Volume growth prospects

- ❖ FY 2008 actual volume - 4.926 Million tons
- ❖ Target volume growth - 0.887 Million tons (18% growth)
- ❖ New businesses volume - 0.500 Million tons (10%)
- ❖ Existing businesses needs to grow only by 8% to achieve target
- ❖ Volume growth for past 6 years is 19.1% CAGR. In FY2008, volume grew by 31%.

# Capital In Place To Support Growth



\* Before goodwill and fair value adjustment reserves

## Availability of Credit (as of 23 Oct 2008)

Type of Funding	Value (S\$m)
Islamic Finance	173
Medium Term Notes & Loans	217
Convertible Bonds	450
Long Term Loans	668
<b>Sub Total (Medium + Long Term)</b>	<b>1,508</b>
Short Term Loans	4,056
<b>Total Facilities</b>	<b>5,564</b>

*Average utilization ranges 50% - 55%*



# Availability of Credit

- ❖ Current lines are adequate to support growth in FY2009 with significant margin of safety
- ❖ Prices of commodities in our portfolio has declined by 26% YTD
- ❖ We currently have S\$2.3 billion of facilities that are committed, accounting for 88% of debt required at current prices to support our growth plans for FY2009

# Availability of Credit

- ✿ 7 banks contribute to about 60% of short term loans
- ✿ These banks are relatively less affected by the current financial crisis
- ✿ \$ 800 Million (21%) of short term loans is committed
- ✿ All short term facilities renewed for the year
- ✿ No bank has indicated withdrawing facilities so far

# Gearing

- ❖ Net Debt:Equity was 3.17x as of 30<sup>th</sup> June 08 (current covenant with the banks is at Net Debt:Equity of 5x)
- ❖ Adjusted gearing (after excluding liquid hedge inventories) is 0.74x
- ❖ We do not have any share price related covenants on loans
- ❖ Net gearing is likely to improve further due to lower commodity prices at the end of 1Q FY2009

# Limited Refinancing Risk

Year	Loans for Repayment	
FY 2009	US\$35 m	S\$47.6 m
FY 2010	US\$200 m	S\$272.0 m
FY 2011	US\$354 m	S\$495.0 m



# Impact of higher borrowing cost

- ❖ Interest rate fixed for medium & long term loans at 4.30%
- ❖ Interest on short term loans increased by 80 bps compared to FY08
- ❖ Short term interest cost is passed through and will not impact earnings

# Impact of higher borrowing cost

🌿 Table below shows interest cost passed through historically:

	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	CAG
Volume	4,926	3,773	3,172	2,553	2,052	2,054	1,702	
Gross Contribution	681,891	489,695	343,064	242,316	178,803	122,200	111,633	35%
Interest Expense	177,880	138,253	83,623	49,345	36,734	29,844	23,191	40%
Net Contribution	504,011	351,442	259,441	192,971	142,069	92,356	88,442	34%
GC per ton	138	130	108	95	87	59	66	13%
Interest per ton	36	37	26	19	18	15	14	18%
NC per ton	102	93	82	76	69	45	52	12%

# Market pays for carry

Product	Market	Unit	Front Month Price	Second Month Price	Annualized Carry	Carry Yield
Cocoa	LIFFE	GBP/MT	1,281	1,286	20	2%
	NYBOT	USD/MT	1,990	2,000	40	2%
Coffee	LIFFE	USD/MT	1,674	1,719	270	16%
	NYBOT	Usc/lb	110	115	19.6	18%
Sugar	LIFFE	USD/MT	310	321	45.6	15%
	NYBOT	Usc/lb	11	11	2.04	19%
Cotton	NYBOT	Usc/lb	49	53	16.96	35%

# Capital required vs availability: Scenario Analysis

	Current Prices	10% drop	15% drop	20% drop
Volumes	5,783,936	5,783,936	5,783,936	5,783,936
Sales Revenue	9,282	8,353	7,889	7,425
Working capital/Sales	29%	29%	29%	29%
Working capital - Average	2,692	2,422	2,288	2,153
Fixed capital	884	884	884	884
<b>Total Capital</b>	<b>3,576</b>	<b>3,306</b>	<b>3,172</b>	<b>3,037</b>
Equity available	921	921	921	921
Debt required	2,655	2,385	2,251	2,116
<b>Debt capacity</b>	<b>5,564</b>	<b>5,564</b>	<b>5,564</b>	<b>5,564</b>
<b>% of debt capacity</b>	<b>48%</b>	<b>43%</b>	<b>40%</b>	<b>38%</b>



# Counter-party risk

- ✿ Well diversified customers (6,500) & suppliers (200,000)
- ✿ 98% of sales made to end-users
- ✿ Predominant spot purchases eliminates supplier default risk
- ✿ Strict exposure limits - customers assessed on a 6 point scale (A1 to C2)
- ✿ No single customer accounts for > 5% of sales
- ✿ Average value of an invoice is about US\$ 150,000.
- ✿ 67.4% of receivables is secured

## Well Diversified : Customers

Segment	Top 5 Customer Share of Total Sales
Edible Nuts, Spices & Beans	2.2%
Confectionery & Beverage Ingredients	8.4%
Food Staples & Packaged Foods	2.4%
Fibre& Wood Products	1.0%

**Total number of customers in FY2008 is 6,500, a growth of 6.13% over FY2007**



**Thank You**