



# Building Relevant Scale

Delivering the Olam Strategy

**FY2012 First Quarter Results Briefing**  
14<sup>th</sup> November 2011 Singapore

# Notice

**This presentation should be read in conjunction with Olam International Limited's First Quarter (Q1 FY2012) Financial Results for the period ended 30 September 2011 statement lodged on SGXNET on 14 November 2011.**



# 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 and in the management discussion and analysis section of the company's First Quarter FY2012 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.

# Q1 FY 2012 Results Briefing: Agenda



## **Q1 FY2012 Results**

- ✿ Consolidated P&L Analysis
- ✿ Segmental Analysis
- ✿ Balance Sheet Analysis



# Consolidated P&L Analysis



# PAT growth of 15.1% despite tough trading conditions

(in S\$ million)	Q1 FY2012	Q1 FY2011	% Change
Sales Volume (MMT)	1.862	1.582	17.7
Sales Value	3,229.4	2,453.9	31.6
Net Contribution (NC)	251.9	203.0	24.1
NC/ton	135	128	5.5
<b>Profit After Tax (after Minority Interests)</b>	<b>34.2</b>	<b>29.7</b>	<b>15.1</b>

# Background : Challenging market conditions

- ❖ Q1 performance achieved against a difficult macro-economic backdrop
  - ❖ Growing sovereign debt crisis in Europe
  - ❖ European banking and financial pressures
  - ❖ Political gridlock in US and Europe
  - ❖ Slowing growth in G7 markets
  - ❖ **Increased volatility across commodity, equity, bond and currency markets**

# Our strategy enables us to manage across economic and commodity cycles

- ✿ **Focused portfolio:** Mainly focused on food ingredients and raw materials which are inherently more recession resistant
- ✿ **Diversified risk:** Broad participation across products, geographies and vertically across the whole value chain
- ✿ **Differentiated strategy, uniquely shaped portfolio**
  - ✿ Out-originizing our competition
  - ✿ Providing customized solutions and services
  - ✿ Selective integration across the value chain (upstream, supply chain core, midstream/ downstream)
- ✿ **Nature of participation:** Primarily as a supply chain manager thus reducing the volatility in earnings



# Sales Volume



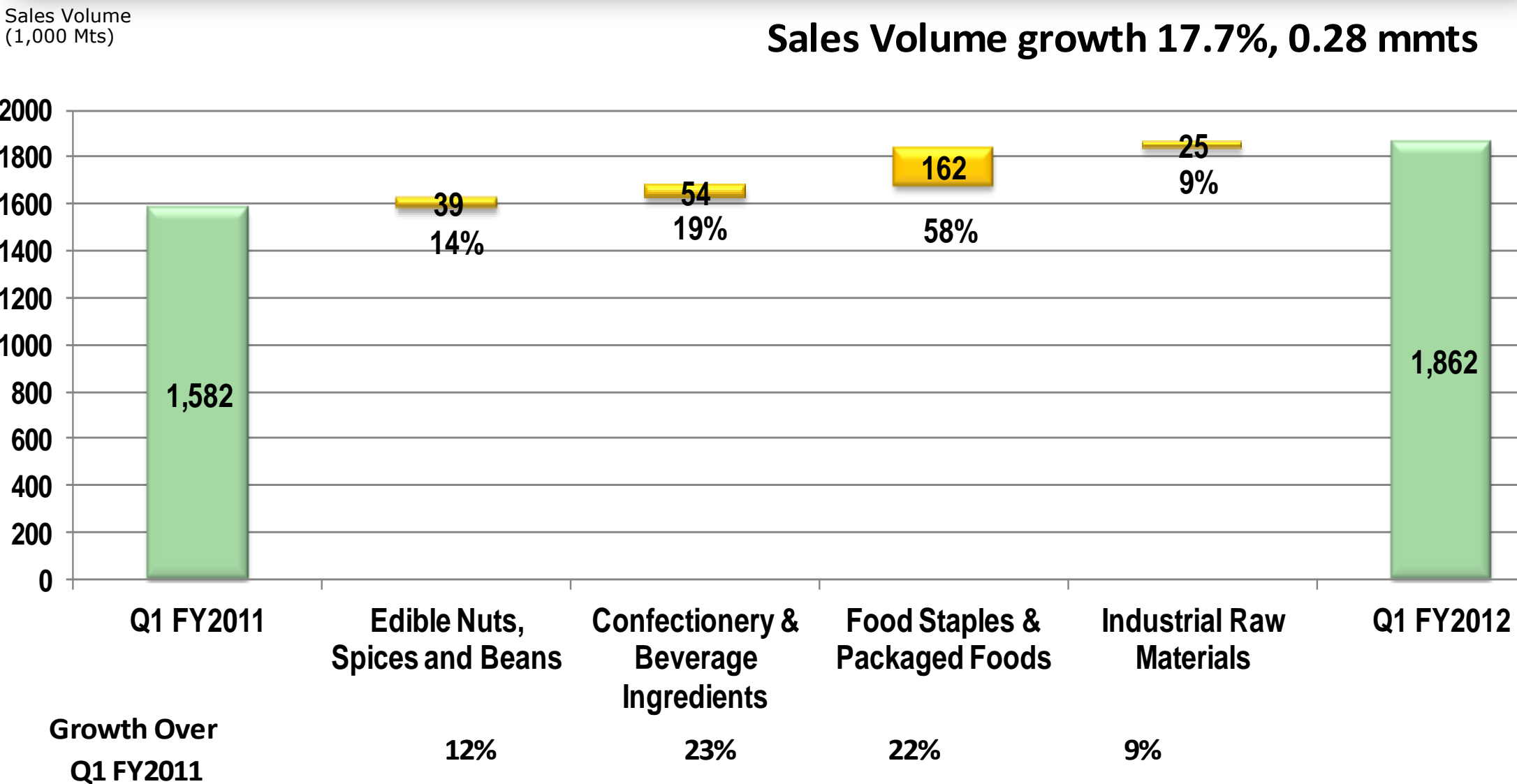
**Sales Volume: 1.862 million metric tons**

- ✿ Volume grew by 0.28 million metric tons
- ✿ 17.7% growth over Q1 FY2011
- ✿ Volume growth across all 4 segments

# Sales Volume

Segments	Q1 FY2012 (MT/'000)	Q1 FY2011 (MT/'000)	% Change
Edible Nuts, Spices & Beans	366	328	11.7
Confectionery & Beverage Ingredients	286	231	23.5
Food Staples & Packaged Foods	897	735	22.1
<b>Food Category Total</b>	<b>1,549</b>	<b>1,294</b>	<b>19.7</b>
Industrial Raw Materials	313	288	8.7
<b>Consolidated Total</b>	<b>1,862</b>	<b>1,582</b>	<b>17.7</b>

# Sales Volume Growth: Segmental Contribution





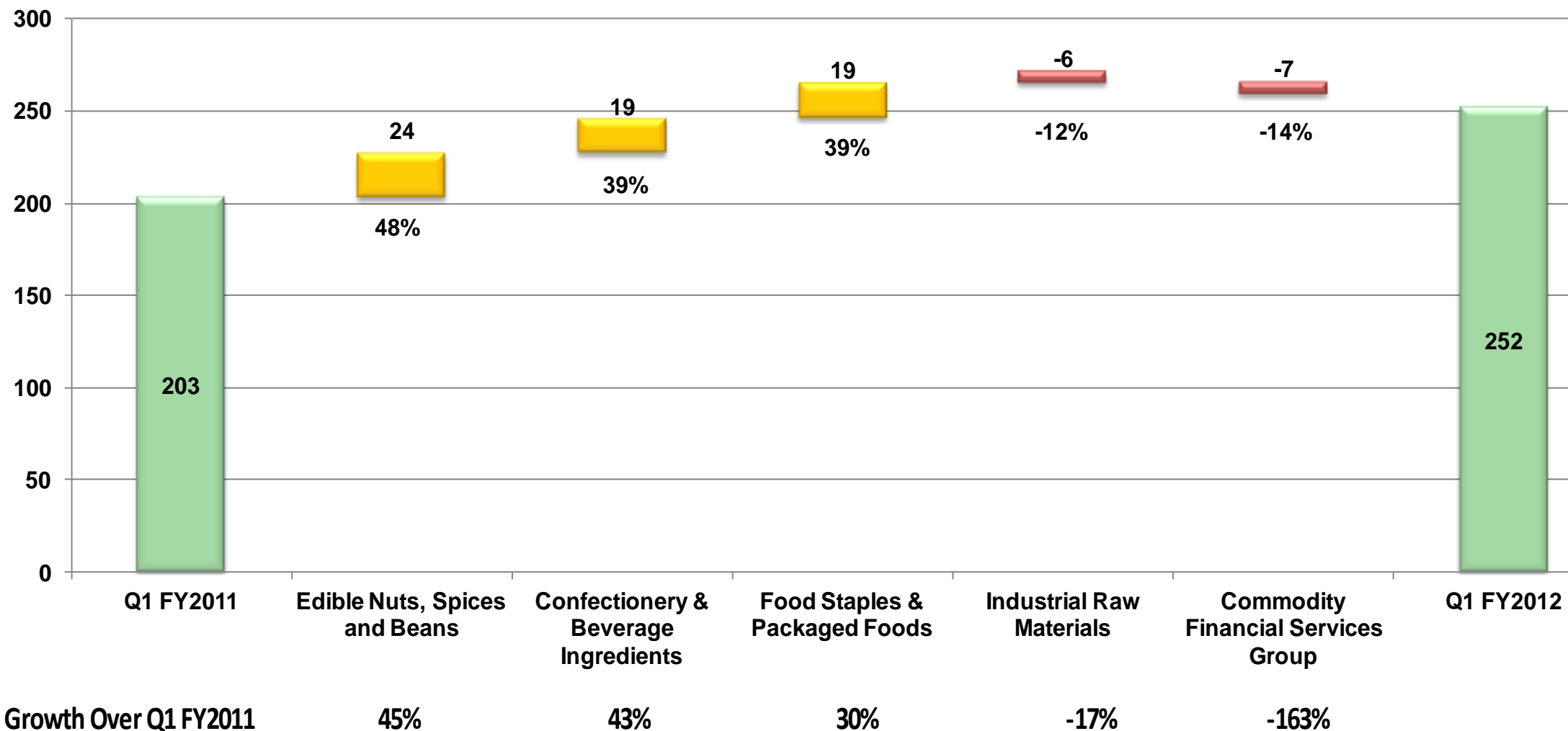
# Net Contribution

- ✿ **Net Contribution (NC): S\$ 251.9 million**
  - ✿ 24.1% growth over Q1 FY2011
  - ✿ NC per ton increased from S\$128.2/ton in Q1 FY2011 to S\$135.2/ton in Q1 FY2012

# Net Contribution Growth: Segmental Share

Net Contribution  
(S\$ M)

**NC Growth 24.1%, S\$49 million**



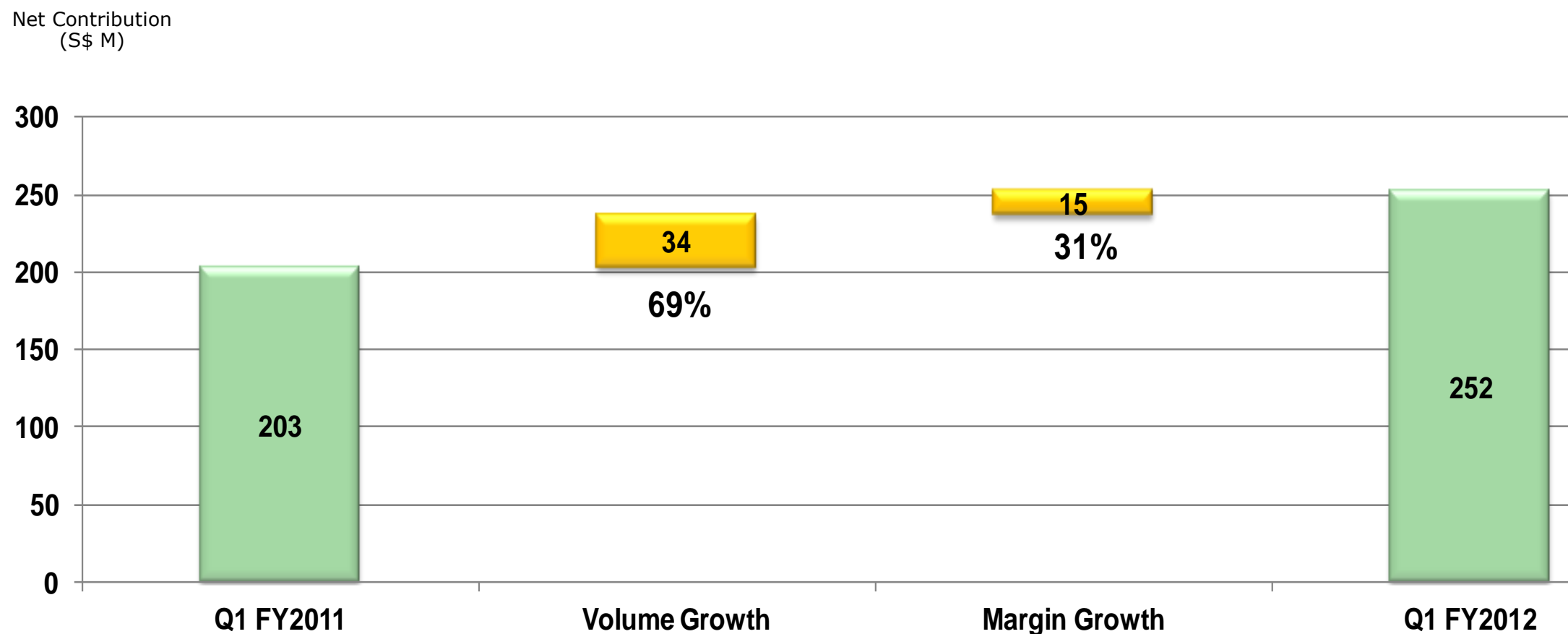
# Net Contribution & NC/ MT Growth: Segmental Analysis

Segments	Net Contribution		
	Q1 FY2012	Q1 FY2011	% change
	S\$million	S\$million	
<b>Edible Nuts, Spices &amp; Beans</b>	<b>79.9</b>	<b>55.2</b>	<b>44.7</b>
NC/MT (S\$ / ton)	218.2	168.3	29.6
<b>Confectionery &amp; Beverage Ingredients</b>	<b>63.2</b>	<b>44.2</b>	<b>43.2</b>
NC/MT (S\$ / ton)	220.9	190.5	16.0
<b>Food Staples &amp; Packaged Foods</b>	<b>81.2</b>	<b>62.5</b>	<b>29.9</b>
NC/MT (S\$ / ton)	90.4	85.0	6.4
<b>Food Category Total</b>	<b>224.3</b>	<b>161.8</b>	<b>38.6</b>
NC/MT (S\$ / ton)	144.7	125.0	15.8
<b>Industrial Raw Materials</b>	<b>30.4</b>	<b>36.8</b>	<b>-17.4</b>
NC/MT (S\$ / ton)	97.2	127.8	-23.9
<b>Commodity Financial Services Group</b>	<b>(2.8)</b>	<b>4.4</b>	<b>-162.9</b>
<b>Consolidated Total</b>	<b>251.9</b>	<b>203.0</b>	<b>24.1</b>
NC/MT (S\$ / ton)	135.2	128.2	5.5



# Net Contribution Growth: Sources

**NC Growth 24.1%, S\$49 million**



# Overhead Expenses

 **Overhead Expenses increased by 23.5%  
to S\$181.7 million in Q1 FY2012**

	Q1 FY2012	Q1 FY2011	Change
Overhead Expenses(S\$m)	181.7	147.1	23.5%
Overhead/ Sales Ratio	5.7%	6.0%	-

# Key Earnings Metrics

- ✿ **Net Profit (after Minority Interests) : S\$34.2 m**
  - 15.1% growth over Q1 FY2011
- ✿ **Earnings per Share (EPS)**
  - 1.40 cents/share in Q1 FY2012 vs 1.43 cents/share in Q1 FY2011
- ✿ **Net Asset Value (NAV before fair value adjustment)**
  - 134.58 cents/share in Q1 FY2012 vs 114.88 cents/share in FY2011





# Segmental Analysis

# Segmental Analysis: Summary

## Olam Consolidated

- Turnover **S\$3229 m**
- Volume **S\$1.862 mmts**
- NC **S\$251.9 m**
- NPAT **S\$33.3 m**

### Edible Nuts, Spices & Beans

- Turnover **S\$519 m**
- Volume **0.366 mmts**
- NC **S\$79.9 m**

• NC Share **31.7%**



### Confectionery & Beverage Ingredients

- Turnover **S\$1094 m**
- Volume **0.286 mmts**
- NC **S\$63.2 m**

• NC Share **25.1%**



### Food Staples & Packaged Foods

- Turnover **S\$949 m**
- Volume **0.897 mmts**
- NC **S\$81.2 m**

• NC Share **32.2%**



### Industrial Raw Materials

- Turnover **S\$667 m**
- Volume **0.313 mmts**
- NC **S\$30.4 m**

• NC Share **12.1%**



### Commodity Financial Services Group

- NC **S\$-2.8 m**

• NC Share **-1.1%**




# Segmental Analysis

- ❖ **Food category** continued to **remain resilient** as expected
  - ❖ Contributed 79.3% of Revenues & 83.2% of the Volumes
  - ❖ 19.7% increase in Volume & 38.6% increase in Net Contribution
- ❖ **Industrial Raw Materials** was a **mixed bag** – Wool, Rubber and the SEZ businesses did well while Cotton and Wood Products lagged
- ❖ As **forewarned in Q4 FY2011**, our **Cotton business** was **impacted** in Q1 FY2012 on account of:
  - ❖ Weakening demand – both contraction and deferment of demand
  - ❖ Extreme price and Basis volatility
  - ❖ Heightened counter-party risk
- ❖ Demand for **Wood Products** remained **soft**




# Factors that affected Cotton



## **Supplier / Farmer Defaults**

-  We faced limited supply side defaults and those were accounted for in Q4 FY 2011 – no impact in Q1 FY2012 and further impact unlikely for the rest of the year

## **Customer Defaults**




-  We have faced some customer re-negotiations / defaults, however, those are a small part of the total volumes we supply

## **Price and Basis Volatility**



-  The price and basis volatility seen during 2011 was a tail / outlier event and the cotton market has reverted to more normal trading conditions.
-  As non-positional / non-directional supply chain managers, we were adversely impacted by the basis volatility on our hedged positions

# Factors that affected Cotton

## **Price and Basis Volatility**

-  We mitigated the basis impact, in part, by
  -  A timely roll-over of our forward positions
  -  Our use of OTC structures to hedge our forward purchases mitigating inverted market risk

## **Ginning footprint**

-  As one of the world's largest cotton ginneries, we have a significant fee income revenue relative to our peers
-  Strong numbers from the ginning business on the back of a bumper Australian crop contributed to stability of our earnings.

## **Margin Calls**

-  We were able to use OTC structures to reduce our margin call exposures

# CFS Impact

- ❖ The Commodity Financial Services business registered a NC loss of S\$ 2.8 million in Q1 FY2012
- ❖ The business was impacted by exceptional volatility in commodity prices & the macro-economic environment
- ❖ The business went into a “risk-off” mode during the quarter and stayed on the sidelines
- ❖ Activity levels and capital invested were reduced
- ❖ We are confident about the prospects for the CFS business for the full year

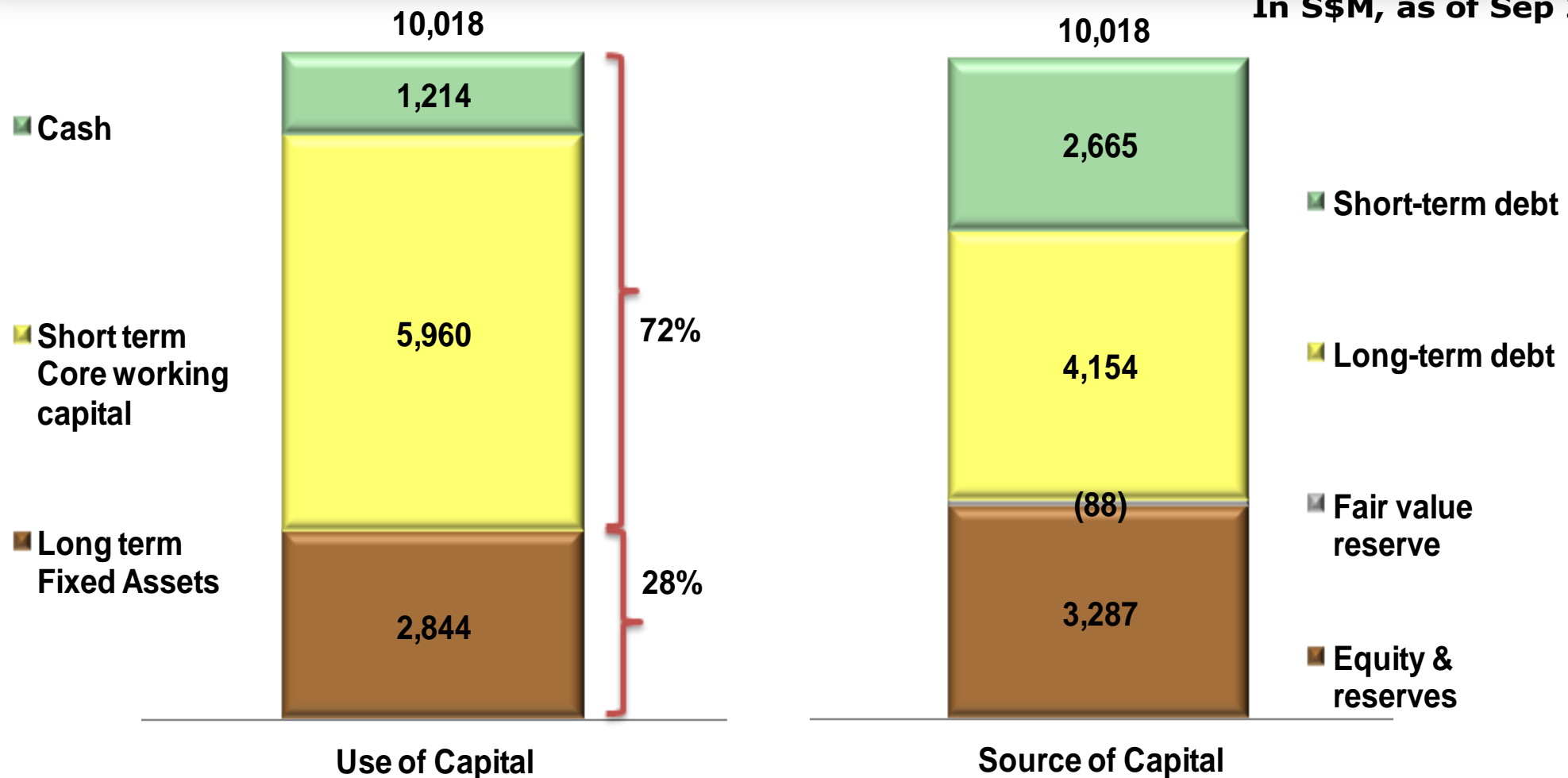


# Balance Sheet Analysis



# Balance Sheet Summary: Strong and resilient Balance Sheet

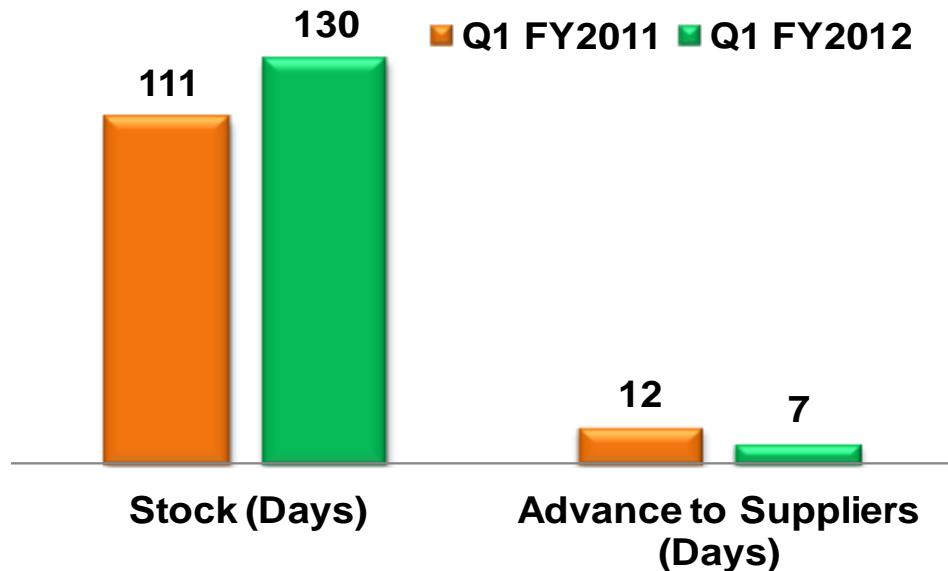
In S\$M, as of Sep 2011



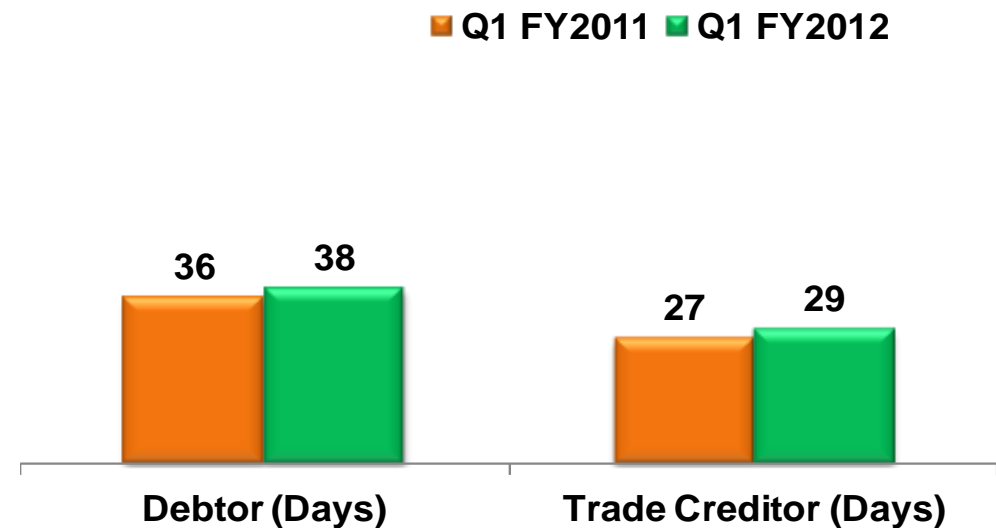
- Investment in fixed term assets funded through permanent capital
- Investment in working capital funded through a combination of long term and short-term debt

# Working capital Analysis

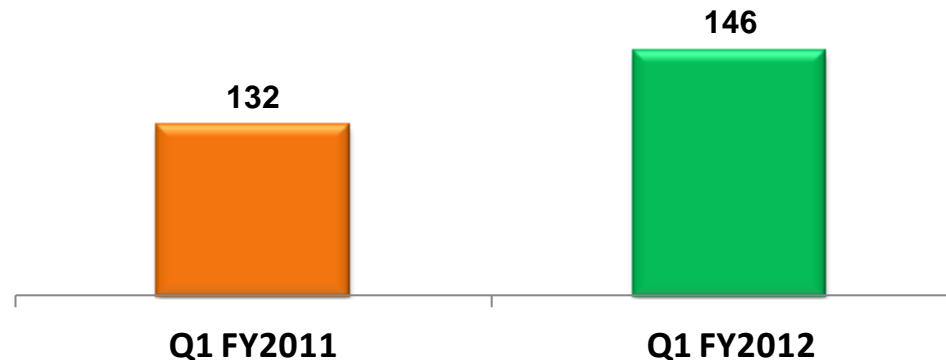
Stock (days) and  
Advance to Suppliers (days)



Debtor (days) and Trade Creditor (days)



Cash-to-cash cycle (days)



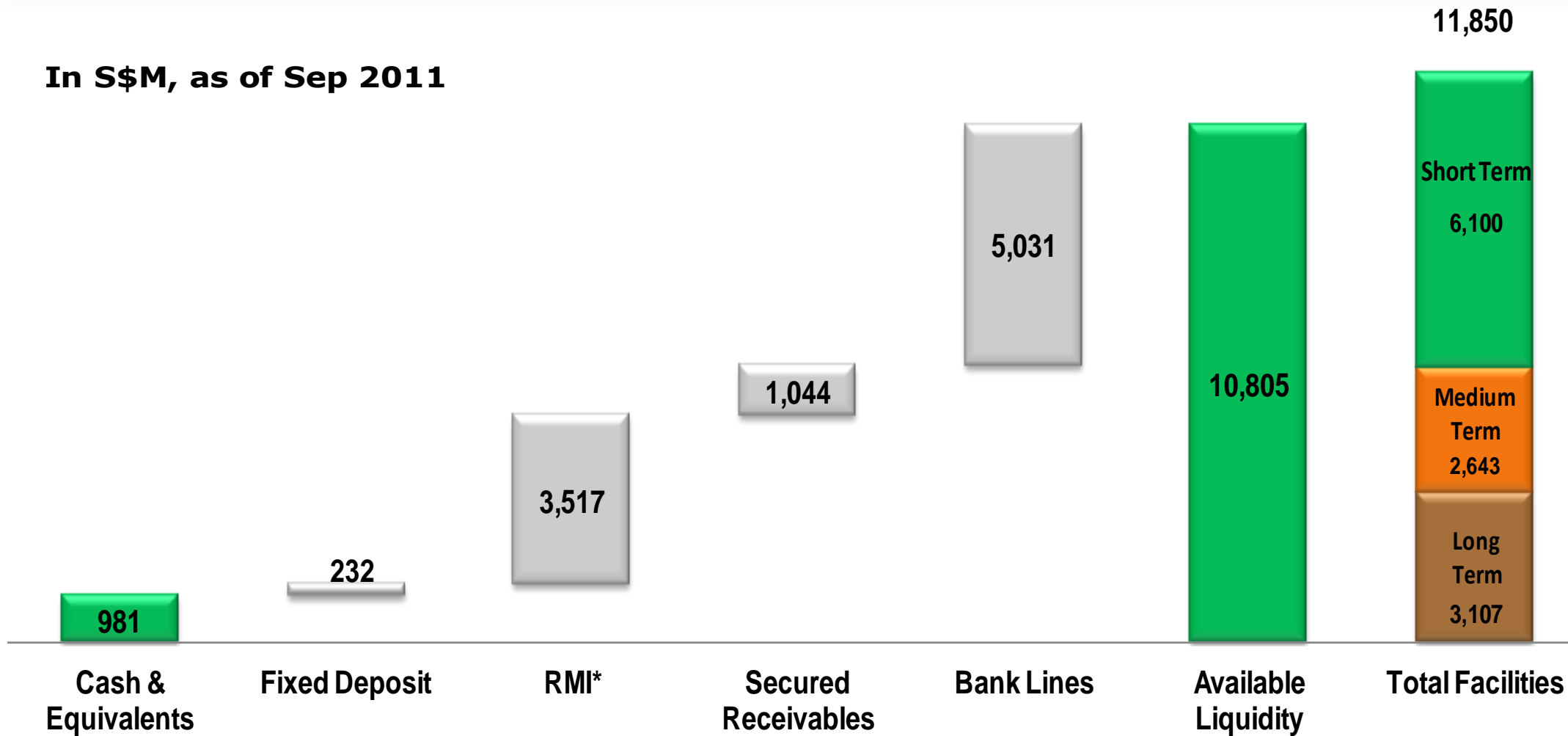
# Inventory Analysis

(in S\$ million)	Q1 FY2012	FY2011	Increase / Decrease
Edible Nuts, Spices & Beans	1,108	950	158
Confectionery & Beverage Ingredients	1,226	1,119	107
Food Staples & Packaged Foods	741	792	(51)
Industrial Raw Materials	1,079	723	356
<b>Total</b>	<b>4,154</b>	<b>3,584</b>	<b>570</b>

**84.7% of inventories sold forward or hedged**

# Strong liquidity profile

In S\$M, as of Sep 2011



\*RMI: inventories that are liquid, hedged, or sold forward

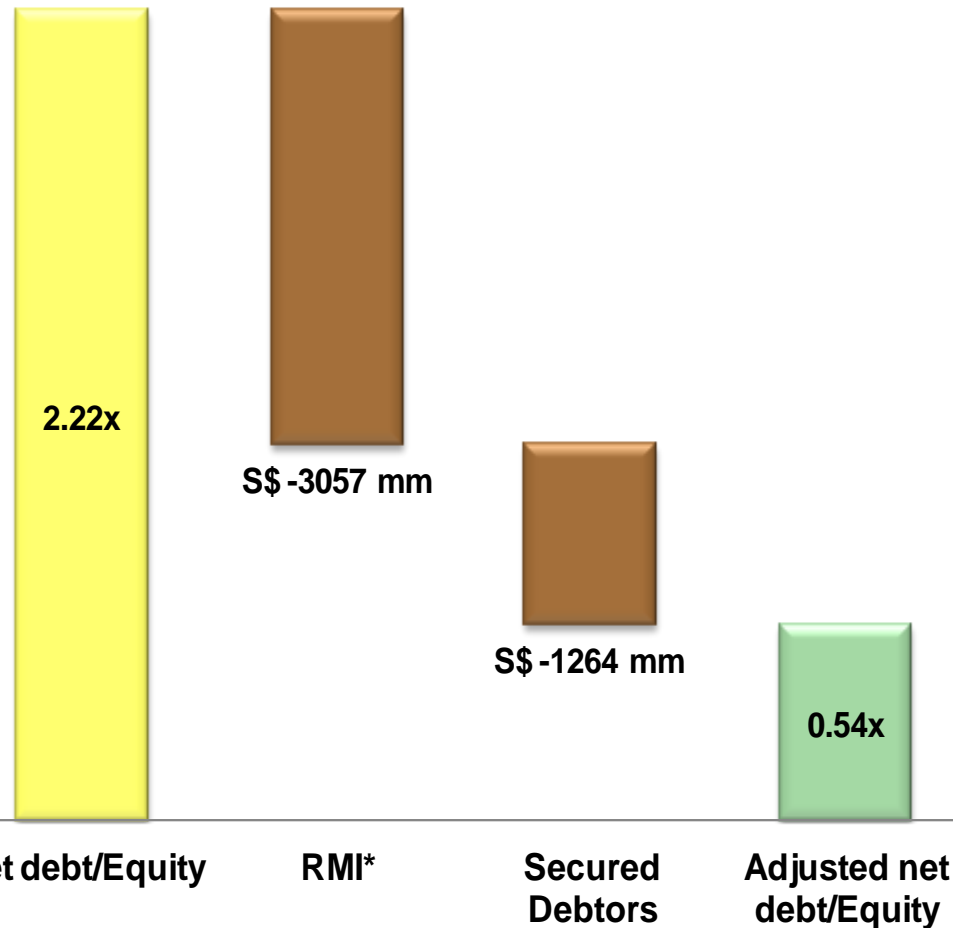


# Balance sheet Analysis: Gearing

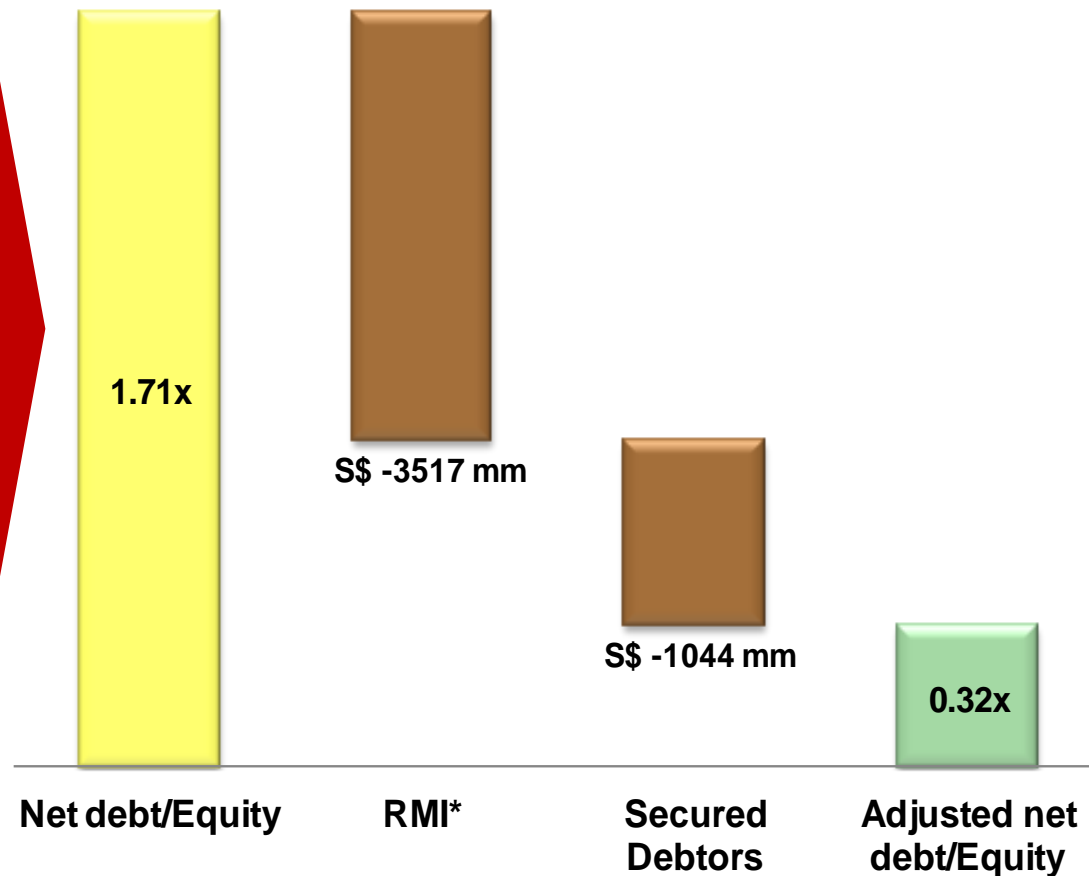
	Q1 FY2012	FY2011	Change
<b>Leverage (x)</b>			
Gross Debt to Equity (x)	2.07	2.56	-0.49x
Net Debt to Equity (x)	1.71	2.22	-0.51x
Adjusted Net Debt to Equity (x)	0.32	0.54	-0.22x
<b>Liquidity</b>			
Cash to Sales (%)	9.40%	5.54%	-
Cash & Cash Equivalents	1,213.6	872.2	341.4 m
Margin Deposit	411.3	457.1	-45.8 m

# Adjusted Net Gearing

Net debt/Equity as of  
June 30, 2011 (x)



Net debt/Equity as of  
September 30, 2011 (x)



\*RMI: inventories that are liquid, hedged, or sold forward

# Strong Liquidity Position

- ❖ **Pre-emptive raising of equity and debt capital** in June / July 2011
  - ❖ S\$740 m of Equity raised
  - ❖ US\$1.25 b of Syndicated 3 and 5 year monies
  - ❖ S\$250 m of 7 year Medium Term Notes
- ❖ **Strong Liquidity position** as of September 2011
  - ❖ Cash in hand of S\$1.2 b
  - ❖ Loan book with a long-term bias: Long term S\$4.2 b; Short term S\$2.6 b
  - ❖ Un-utilized lines of S\$5.03 b
  - ❖ Net Debt / Equity of 1.71
  - ❖ Exposure to European Banks is < 5% of our loan book

# M&A Update

- ✿ **Expansion of our Sugar footprint in India** by the **acquisition of Hemarus Industries Limited** for US\$ 73.8 m (3500 TCD capacity and co-generation facilities).
- ✿ **Acquisition of select spices assets and business of Vallabhadas Kanji Limited in India**, one of Asia's leading processor & exporter of multiple spices in both bulk and private label format.
- ✿ **Entry into the Hazelnut business** by the acquisition of the Progida group, one of the largest exporters of Hazelnuts and hazelnut ingredients from Turkey for US\$ 38 m.



# Financial Summary

- ❖ **Volume** grew by **17.7%** to **1.86 million MT**
- ❖ **Net Contribution** grew by **24.1%** to **S\$ 251.9 million** with **NC per ton** growing **5.5%** to **S\$ 135**
- ❖ **Profit after tax** (after minority interests) grew by **15.1%** to **S\$ 34.2 million**
- ❖ **Strong liquidity** profile and a **resilient balance sheet**
- ❖ **Strong deal pipeline**

Despite volatile economic climate and commodity markets, given the strong track record of execution of our long-term strategic growth plans, the Group continues to be positive about its prospects for FY2012



**Thank you**

