



The Brand Behind The Brands

# Team Introduction

- ❖ **Sunny Verghese**  
Group Managing Director & CEO (Executive Director)
- ❖ **K. Ravikumar**  
Chief Financial Officer
- ❖ **S. Suresh**  
General Manager (Corporate Affairs & Investor Relations)



# Olam International Limited

## FY2005

### First Half (1H FY2005) Results Briefing

8<sup>th</sup> March 2005



# 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, 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 1H FY2005 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.



# Results Presentation: Outline

- ❖ Background to analysing our results
- ❖ Introduction
- ❖ Results: 1H FY2005 - Consolidated P&L
- ❖ Results: 1H FY2005 - Segmental P&L
- ❖ Results: 1H FY2005 - Consolidated Balance Sheet
- ❖ Strategy Update
- ❖ Outlook & prospects
- ❖ Q&A



# Analysing our results: Background



# Background to analysing our results

- ✿ Seasonality
- ✿ Contribution Analysis
  - Gross Contribution (GC)
  - Net Contribution (NC)
- ✿ Volumes



# Background to analysing our results: **Seasonality**

	1 <sup>st</sup> Half (July-December)	2 <sup>nd</sup> Half (January-June)
% Share of NPAT	30% - 38%	62% - 70%

## ***Factors affecting seasonality:***

- ❖ Producing country location (Northern or Southern hemisphere)
- ❖ Weather: leading to early or delayed harvest
- ❖ Farmer's selling decision (holding capacity and his view on prices)



# Background to analysing our results: **Contribution Analysis**

## **Profitability Analysis:**

- ➡ **Sales Revenue**  
Less: Cost of goods sold  
Shipping & Logistics  
Commission & Claims
- ➡ **Gross Contribution (GC)**  
Less: Net Interest expense
- ➡ **Net Contribution (NC)**  
Less: SG&A
- ➡ **Profit Before Tax (PBT)**  
Less: Tax
- ➡ **Profit After Tax (PAT)**

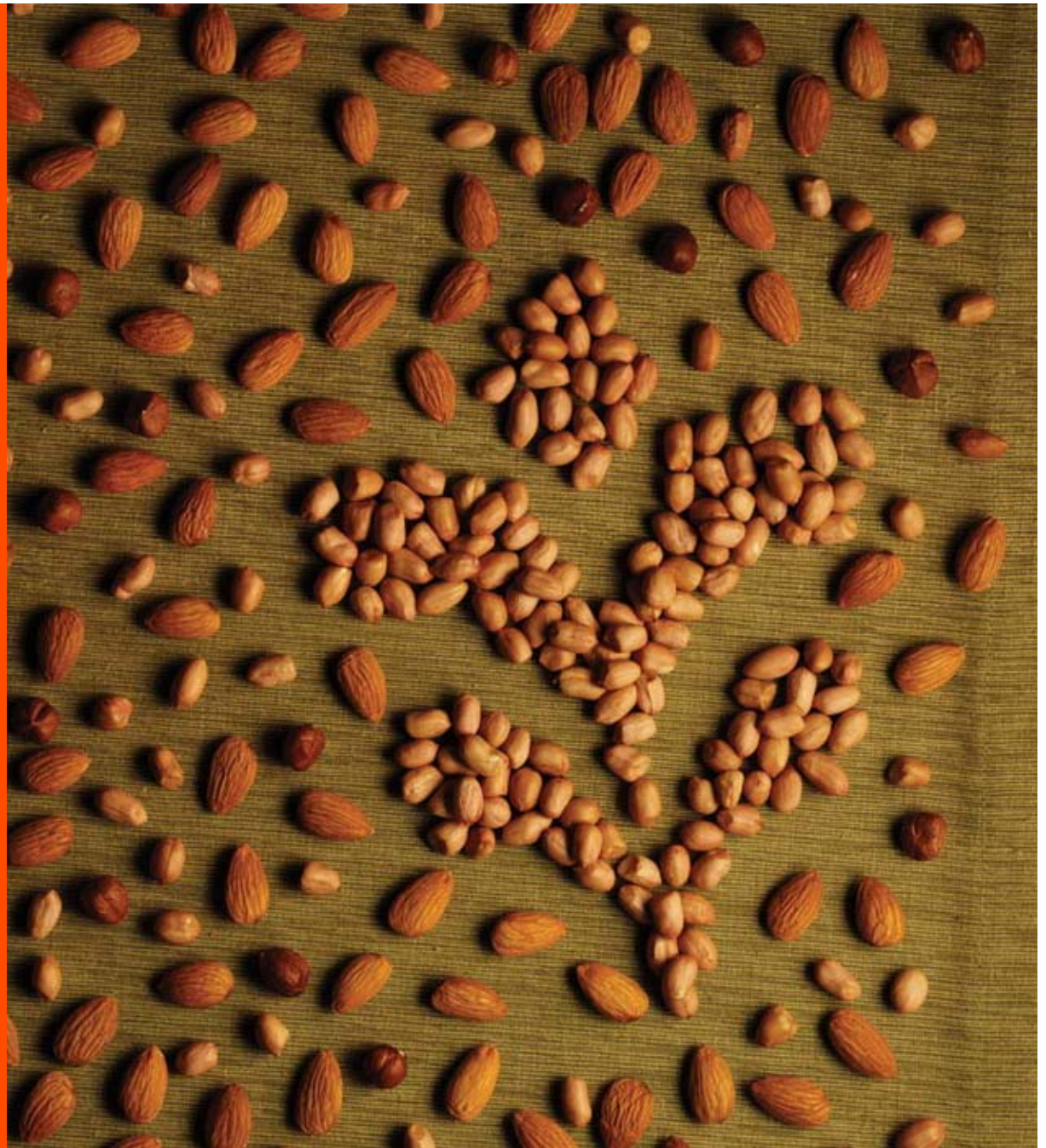


## Background to analysing our results: **Volumes**

- Volume is more or less within our control and is a function of our supply chain infrastructure in both origins & markets.
- $\text{Net Contribution / ton} \times \text{Volume} = \text{Total Net Contribution}$
- Margin or NC enhancement achieved through providing value added services including VMI, customised grades and qualities, organic certification, FTP certification, risk management solutions, etc.



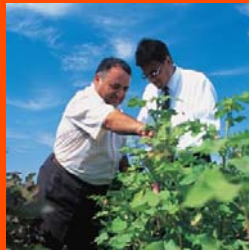
# Introduction



# Leading, global, integrated supply chain manager of agricultural products & food ingredients

Integrated from farm gate to factory gate

Origin  
Farmer



Destination  
Customer

Sourcing  
Origination

▶ Inland  
Logistics &  
Warehousing

▶ Primary  
Processing

▶ Shipping  
& Marine  
Logistics

▶ Marketing

▶ Distribution

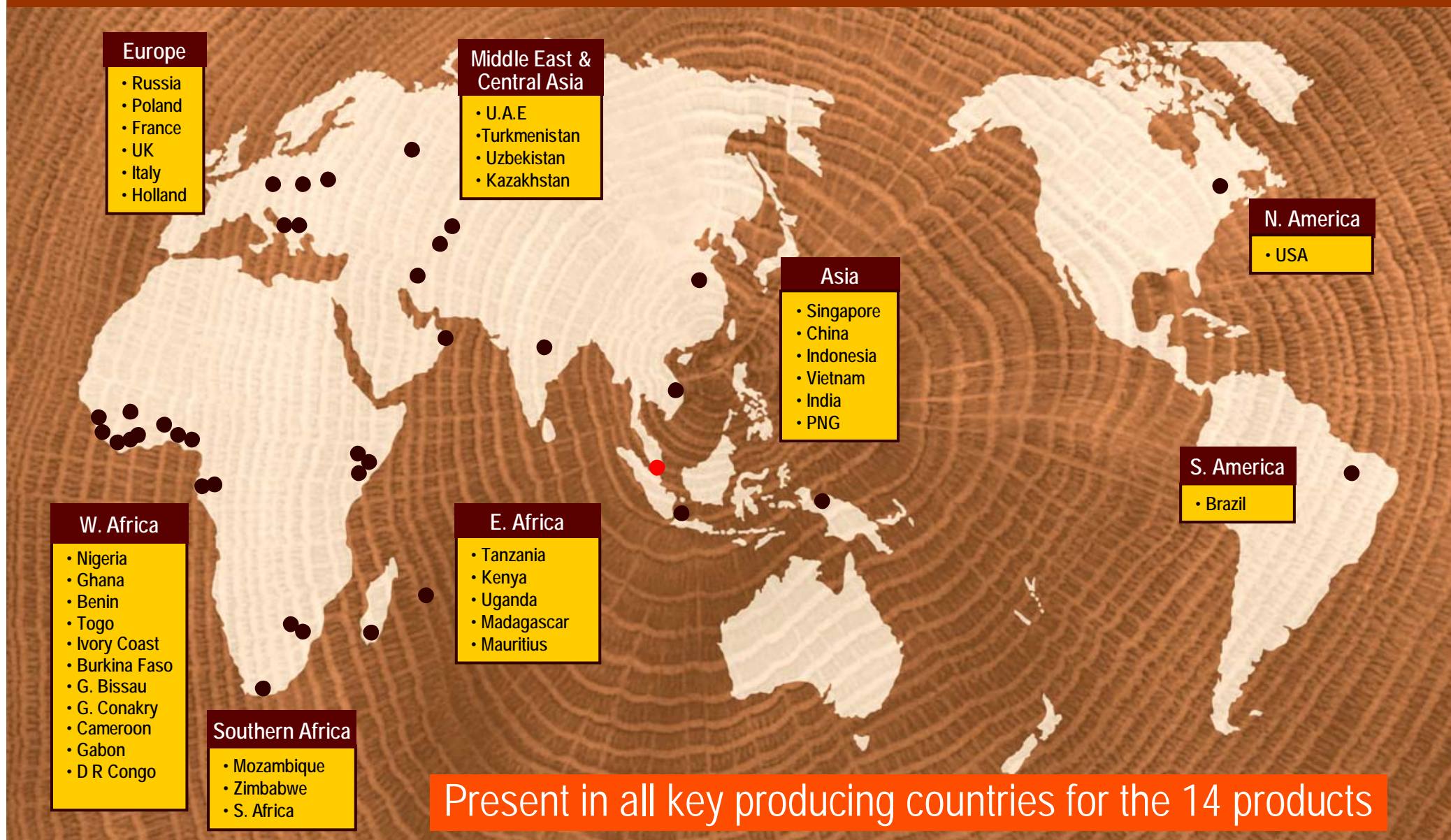


Managing risk at every stage

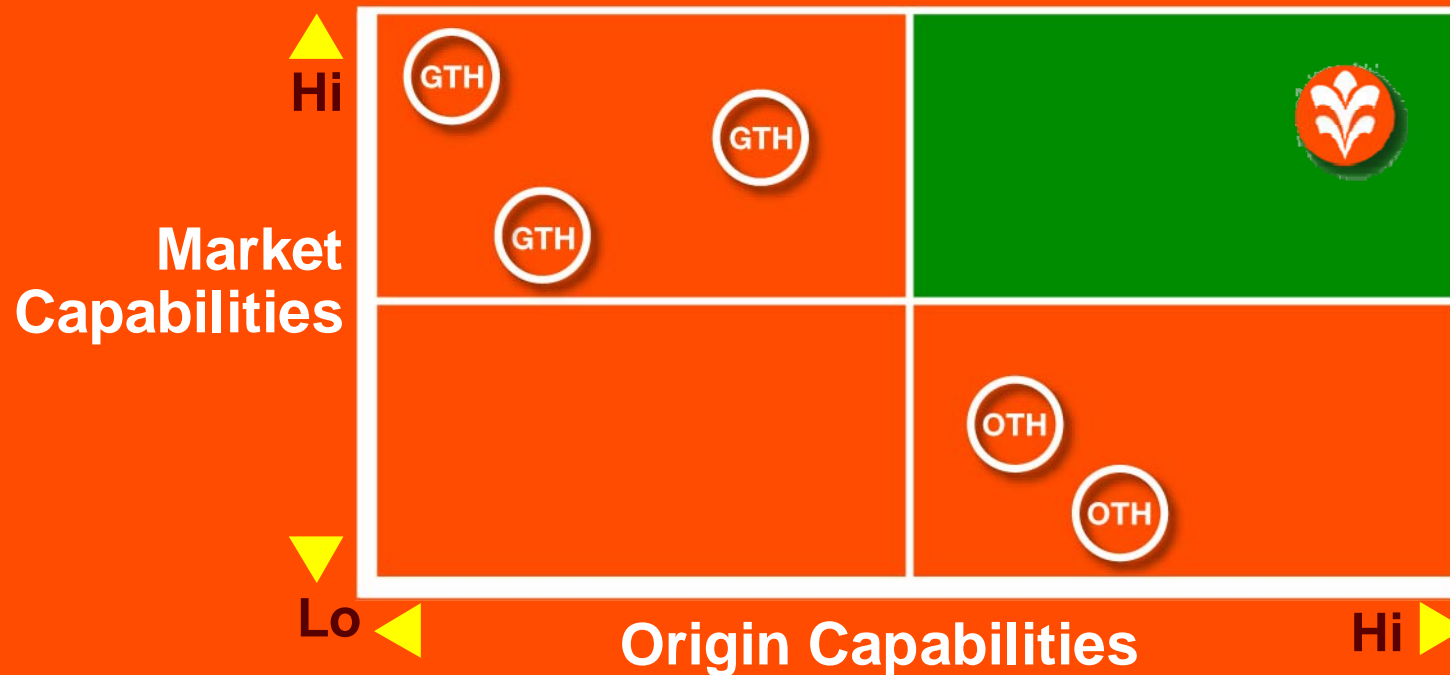


end-to-end supply chain capability

# Linking key producing countries (origins), processing centres & markets



# Unique Competitive Position

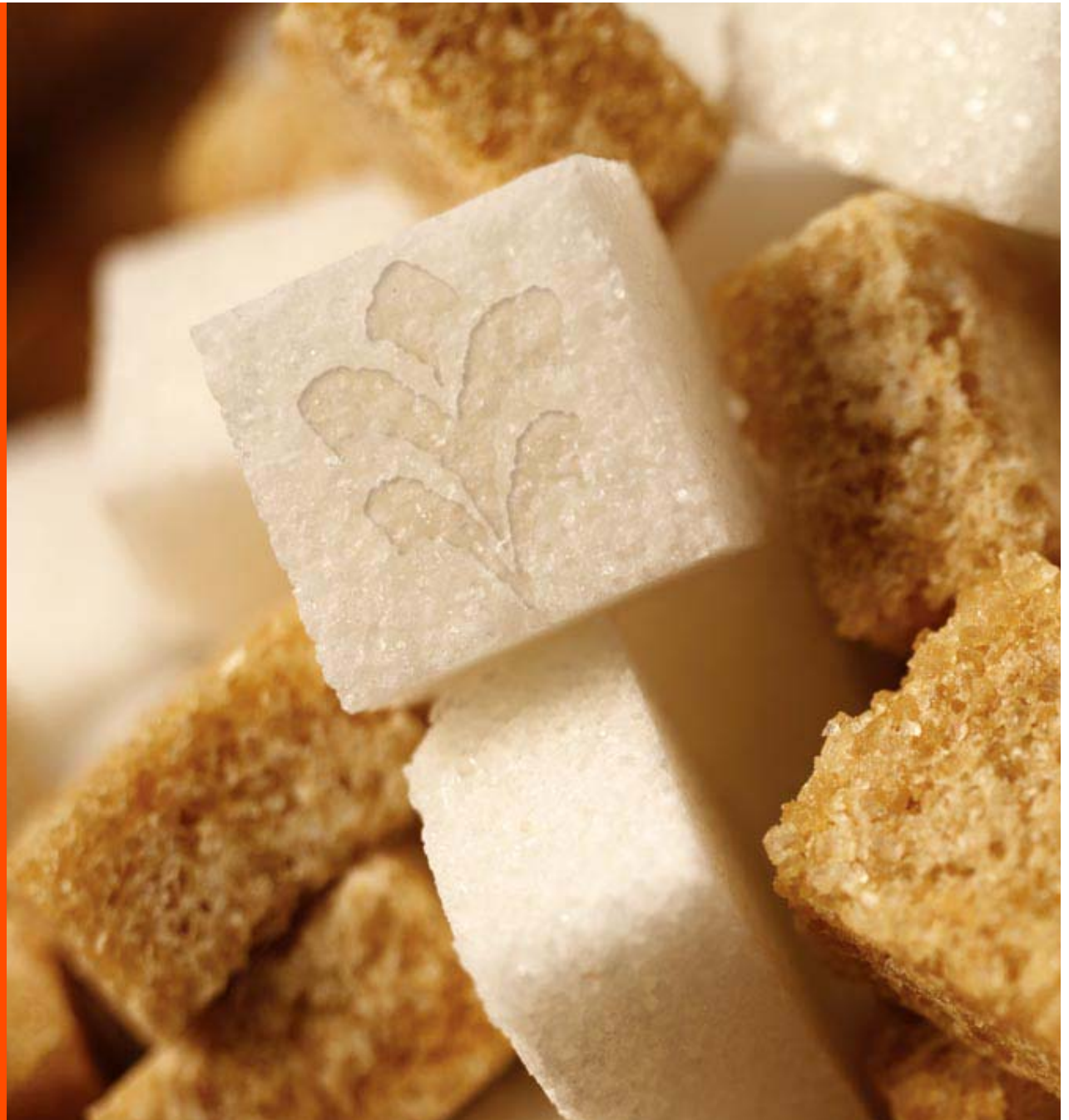


 **Global Trade House**  
 **Origin Trade House**

✦ Combining origination & market capabilities concurrently

# Results: 1H FY2005

## Consolidated P&L



# Reporting Segments

	Product segments		Products	
1.	Edible Nuts, Spices & Beans	▶	<ul style="list-style-type: none"><li>• Cashew nuts</li><li>• Other edible nuts</li><li>• Sesame</li><li>• Spices</li><li>• Beans</li></ul>	
2.	Confectionery & Beverage Ingredients	▶	<ul style="list-style-type: none"><li>• Cocoa</li><li>• Coffee</li><li>• Sheanuts</li></ul>	
3.	Food Staples & Packaged Foods	▶	<ul style="list-style-type: none"><li>• Rice</li><li>• Sugar</li><li>• Dairy products</li><li>• Packaged foods</li></ul>	
4.	Fibre & Wood Products	▶	<ul style="list-style-type: none"><li>• Cotton</li><li>• Wood products</li></ul>	

# Financial Highlights: 1H FY2005

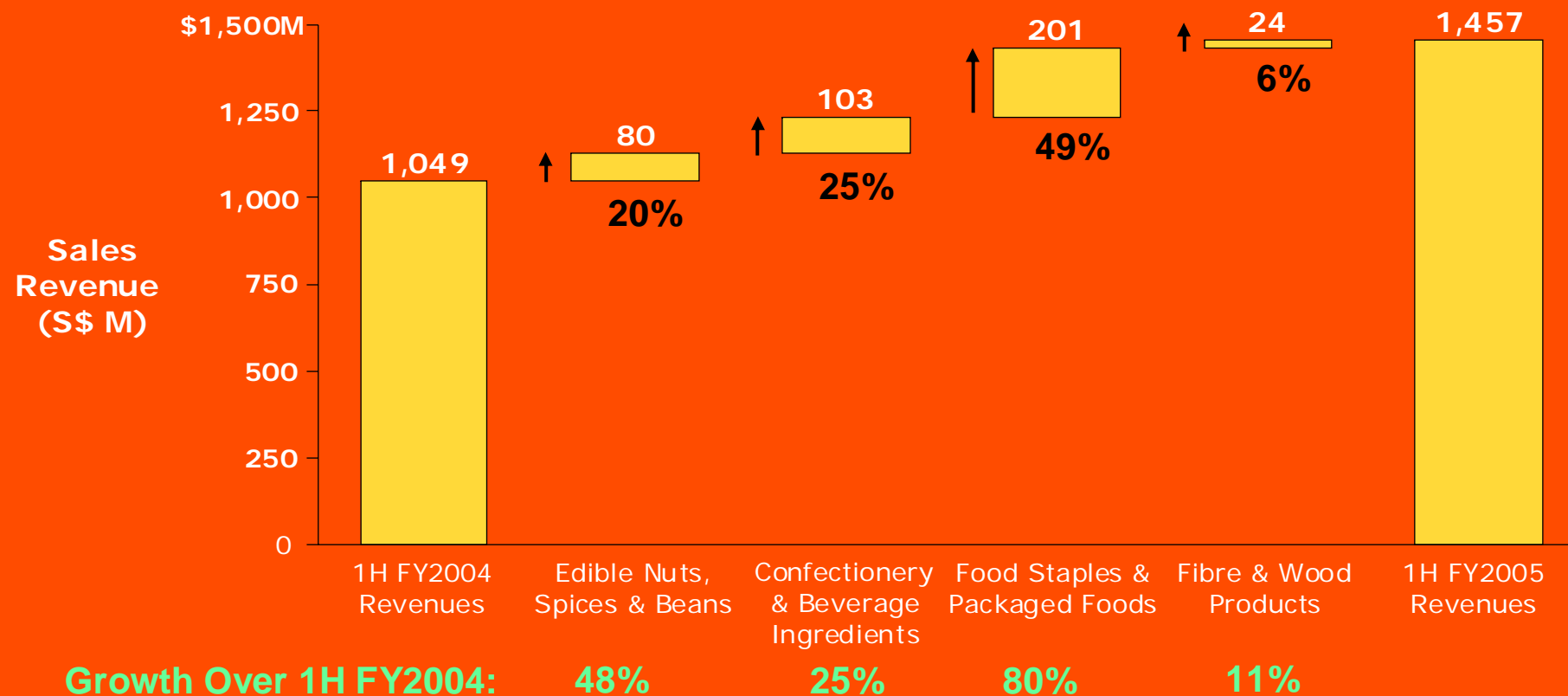
❖ **Total Revenue: S\$1.46 billion**

- 39% growth over 1H FY2004
- Revenue growth across all 4 segments



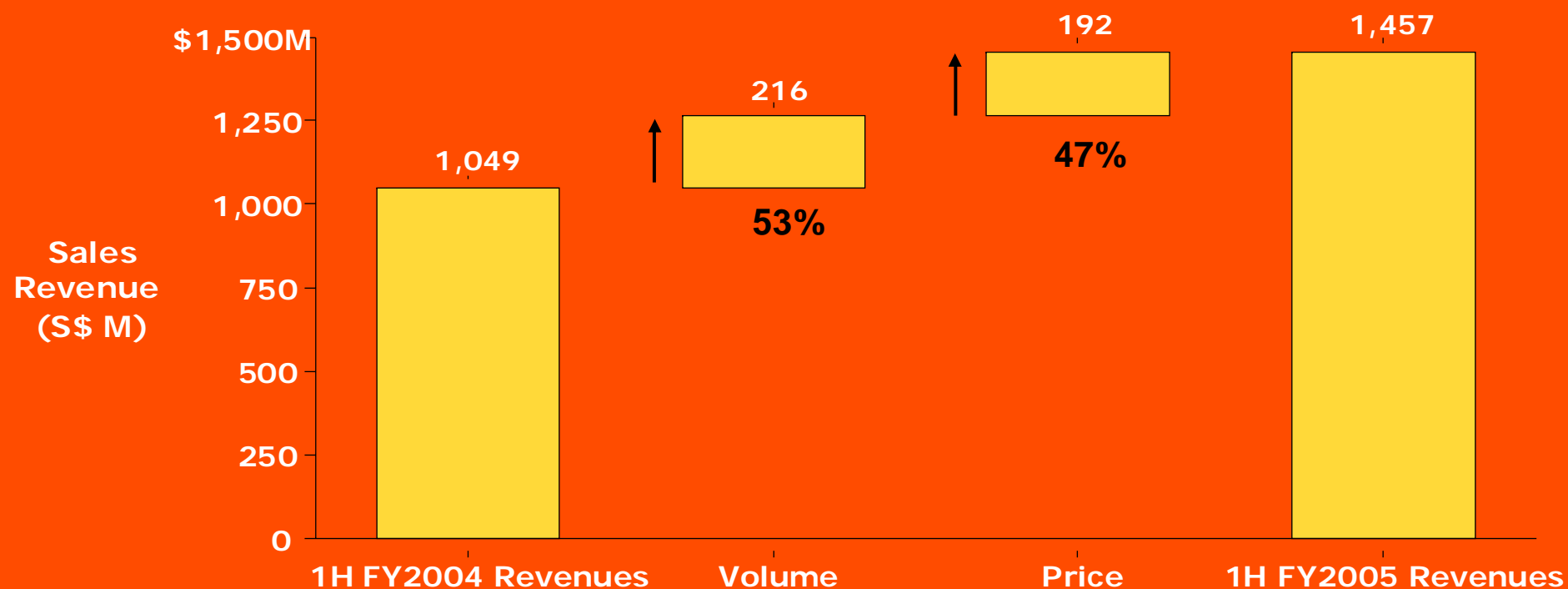
# Sales revenue growth: Segmental Contribution

Sales growth 39%, S\$408 million



# Sales revenue growth: Sources

Sales growth 39%, S\$408 million



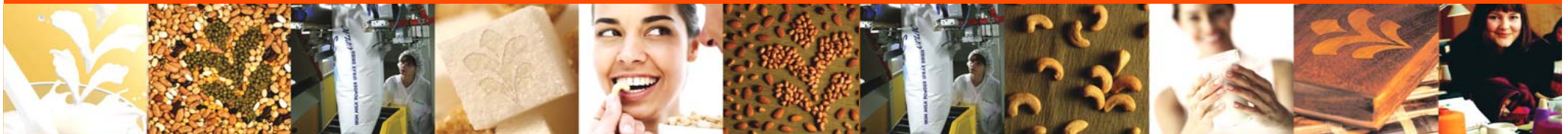
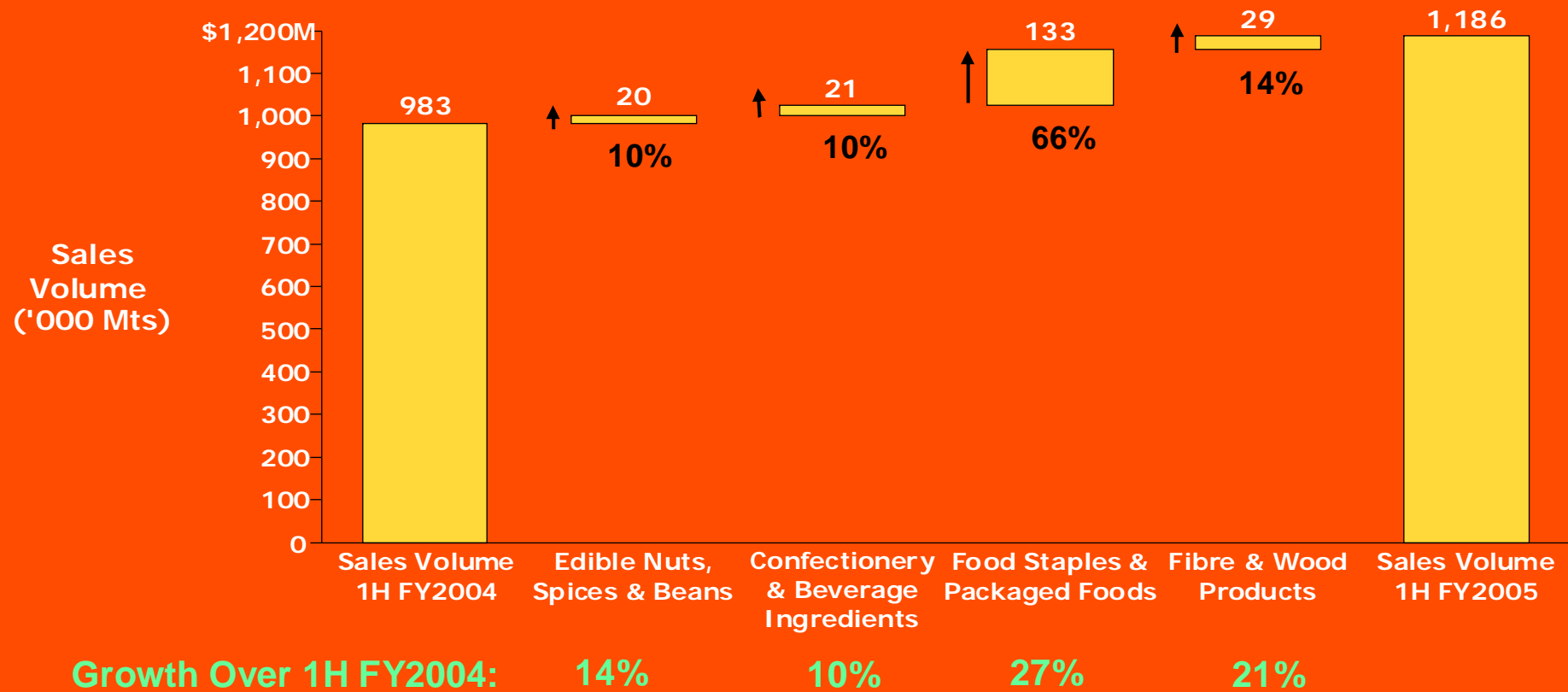
# Financial Highlights: 1H FY2005

- ❖ **Sales Volume: 1.2 million metric tons**
  - 21% growth over 1H FY2004
  - Volume growth across all 4 segments



# Sales Volume growth: Segmental Contribution

Sales Volume growth 21%, 202 million mts



# Financial Highlights: 1H FY2005

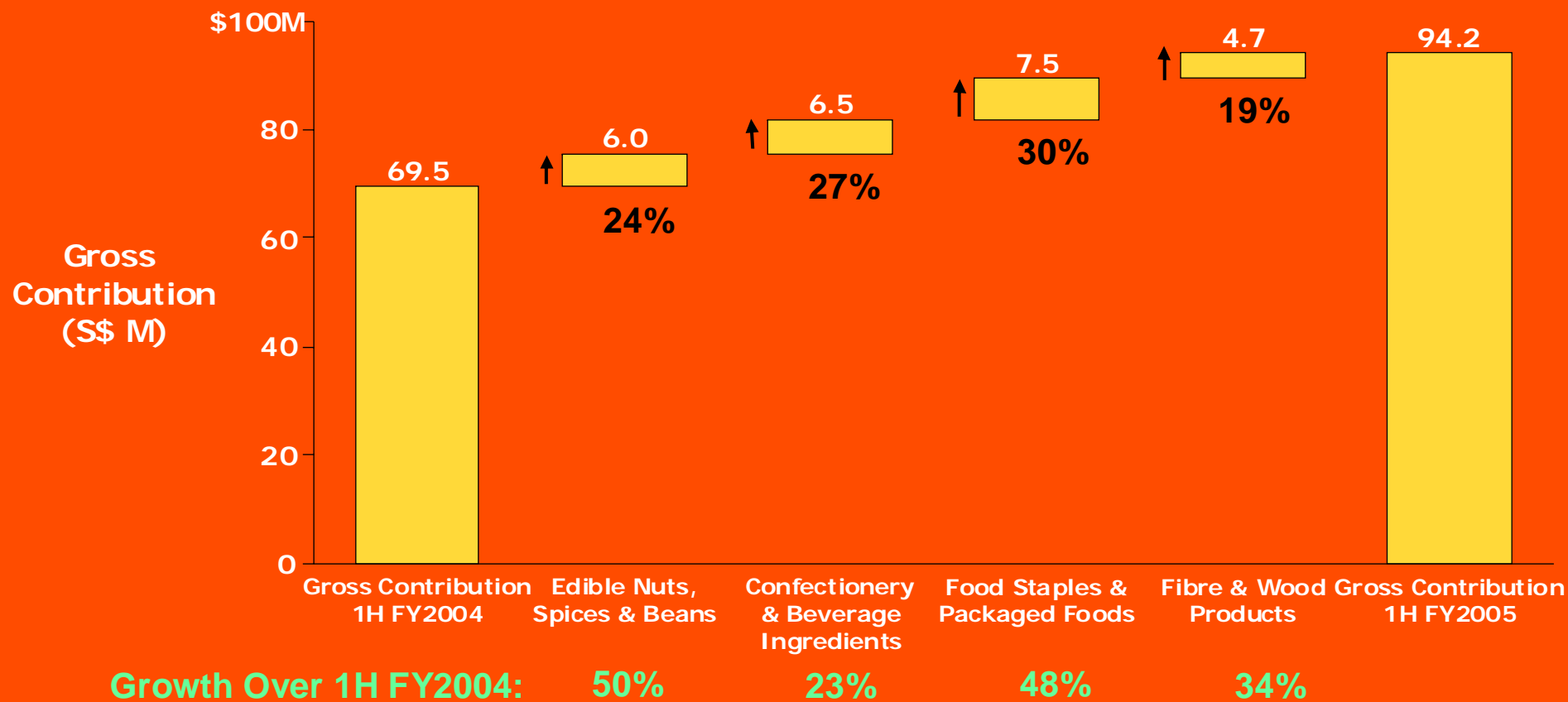
## ❖ Gross Contribution (GC): S\$94.2 million

- 35% growth over 1H FY2004
- GC growth across all segments
- GC per ton growth across all segments



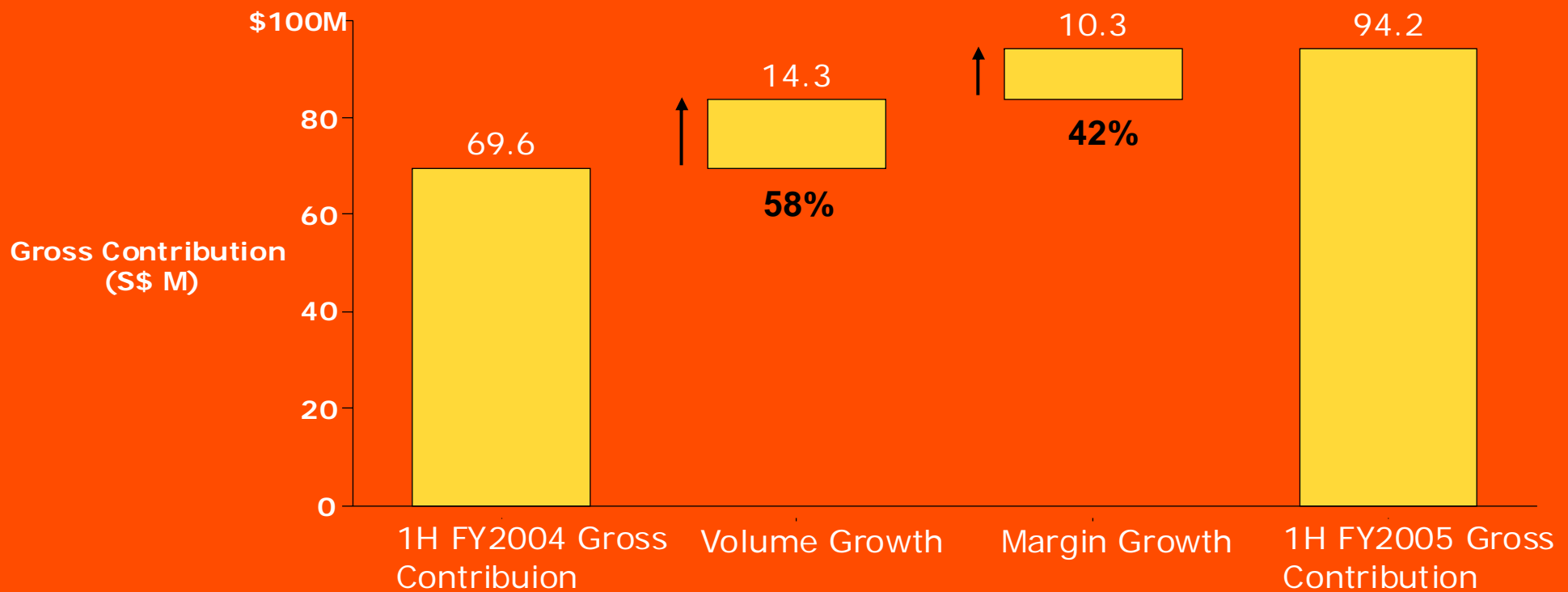
# Gross Contribution growth: Segmental Share

GC growth 36%, S\$24.7 million



# Gross Contribution growth: Sources

GC growth 36%, S\$24.7 million



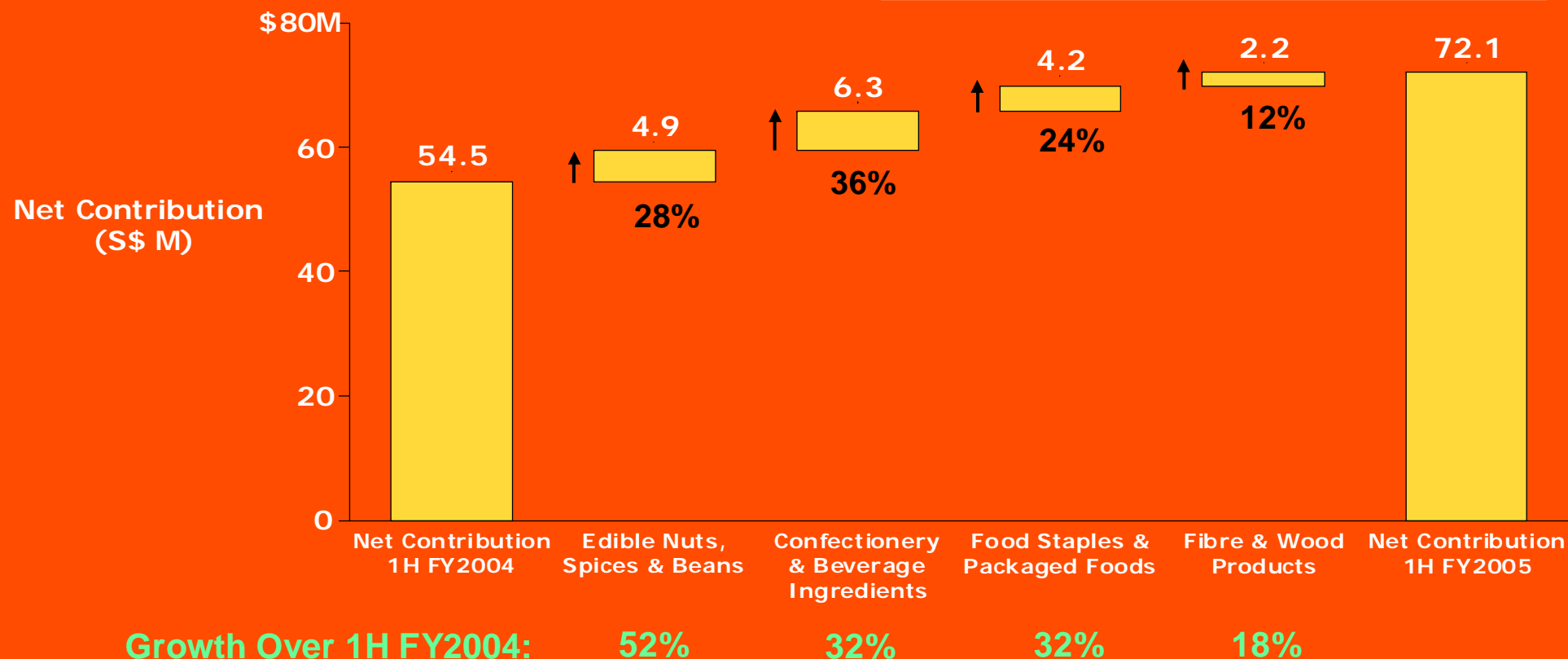
# Financial Highlights: 1H FY2005

- ❖ **Net Contribution (NC): S\$72.1 million**
  - 32% growth over 1H FY2004
  - NC growth across all segments
  - NC per ton growth in 3 out of the 4 segments



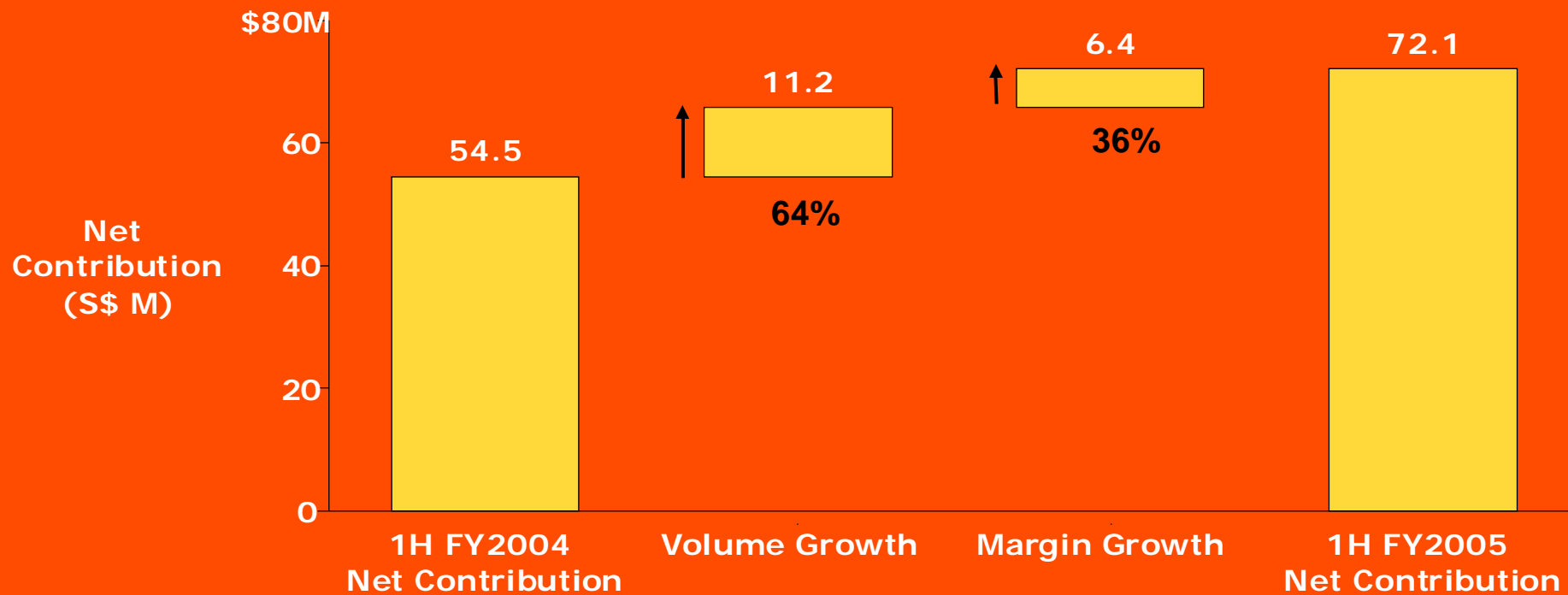
# Net Contribution growth: Segmental Share

NC growth 32%, S\$17.6 million



# Net Contribution growth: Sources

NC growth 32%, S\$17.6 million



# Financial Highlights: 1H FY2005

- ❖ **Net Profit After Tax (NPAT): S\$22.6 million**
  - 55% growth over 1H FY2004
- ❖ **Earnings per Share (EPS):**
  - 29% growth over 1H FY2004
  - 4.2 cents/share 1H FY2005 vs 3.3 cents/share 1H FY2004 (based on weighted average no. of shares)



Results: 1H FY2005

Segmental P&L



## Segmental analysis: Edible Nuts, Spices & Beans

	1H FY2005		1H FY2004		
Description	Amount	S\$/Ton	Amount	S\$/Ton	% change
Volume (metric tons)	160,044		140,025		▲ 14.3%
Revenue (S\$'000)	247,309	1,545	167,021	1,193	▲ 48.1%
Net Contribution (S\$'000)	14,515	91	9,535	68	▲ 52.2%

- 27% of NC growth was derived from Volume Expansion
- 73% of NC growth was derived from Margin Improvement initiatives.



## Segmental analysis: Confectionary & Beverage ingredients

	1H FY2005		1H FY2004		
Description	Amount	S\$/Ton	Amount	S\$/Ton	% change
Volume (metric tons)	239,073		218,075		↑ 9.6%
Revenue (S\$'000)	514,499	2,152	411,641	1,888	↑ 25.0%
Net Contribution (S\$'000)	25,792	108	19,541	90	↑ 32.0%

- 30% of NC growth was derived from Volume Expansion
- 70% of NC growth was derived from Margin Improvement initiatives.



## Segmental analysis: Food Staples & Packaged Foods

	1H FY2005		1H FY2004		
Description	Amount	S\$/Ton	Amount	S\$/Ton	% change
Volume (metric tons)	622,043		489,084		↑ 27.2%
Revenue (S\$'000)	452,902	728	251,714	515	↑ 79.9%
Net Contribution (S\$'000)	17,466	28	13,114	27	↑ 33.2%

- 86% of NC growth was derived from Volume Expansion
- 14% of NC growth was derived from Margin Improvement initiatives.



## Segmental analysis: Fibre & Wood products

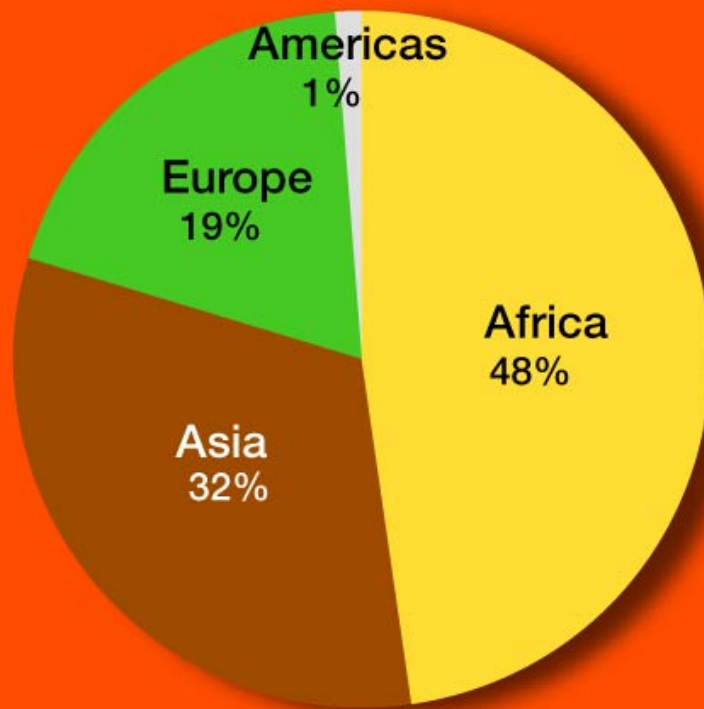
	1H FY2005		1H FY2004		
Description	Amount	S\$/Ton	Amount	S\$/Ton	% change
Volume	164,295		135,847		↑ 20.9%
Turnover	241,885	1,472	218,433	1,608	↑ 10.7%
Net Contribution	14,337	87	12,330	91	↑ 16.3%

- 118% of NC growth was derived from Volume Expansion
- (18%) of NC growth was derived from Margin Improvement initiatives.

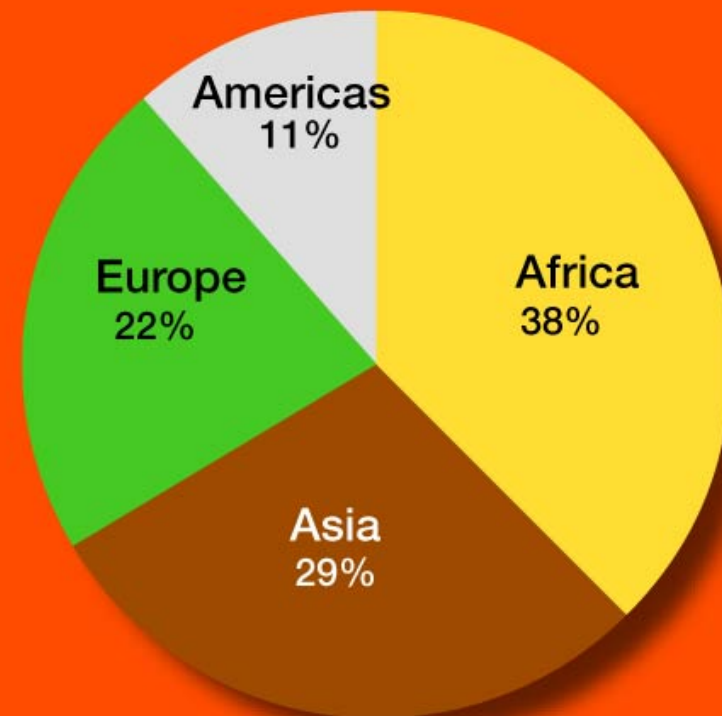


# Well Diversified Across Markets

**Sales Revenue  
(1H FY2004)**



**Sales Revenue  
(1H FY2005)**



# Results: 1H FY2005

## Balance Sheet



## Balance Sheet: Summary

(figures in S\$'000)	Dec 2004	Jun 2004	% Change
Fixed Assets	26,626	21,269	25.2%
<b>Current Assets</b>			
Debtors	443,077	464,944	(4.7%)
Stocks	613,890	473,063	29.8%
Cash & Cash Equivalents	78,532	100,372	(21.8%)
Other Current Assets	269,743	181,242	48.8%
<b>Total Assets</b>	<b>1,431,867</b>	<b>1,240,890</b>	<b>15.4%</b>
Trade Creditors	90,359	154,976	(41.7%)
Borrowings	1,108,117	849,706	30.4%
Other Liabilities	12,922	46,345	(72.1%)
<b>Net Assets</b>	<b>220,469</b>	<b>189,863</b>	<b>16.1%</b>
Equity & Reserves	220,469	189,863	16.1%

## Balance Sheet: Ratios

	Dec 2004	Jun 2004	Dec 2003
<b>Current Asset Ratios</b>			
Debtors (days)	55	64	56
Stock (days)	87	71	74
Advance to Suppliers (days)	49	14	65
Trade Creditors (days)	12	23	12
Asset Turns (x)	2.19	2.42	2.01
<b>Leverage (x)</b>			
Gross Debt to Equity (x)	5.0	4.4	5.2
Net Debt to Equity (x)	4.7	3.9	5.1
Interest Coverage (x)	2.2	2.4	2.2
<b>Liquidity</b>			
Cash to Sales (%)	2.7	3.8	2.0
Cash & Cash Equivalents	78.5 m	100.4 m	38.9 m

# Balance Sheet

## ❖ Fixed assets

- Fixed assets investment increased by S\$8.6 million in 1H FY2005 as compared to S\$2.9 million in 1H FY2004.
- Investments mainly in logistics and supply chain infrastructure facilities in existing origins.

## ❖ Equity & Reserves: Increased by 16%

- IFC converted its Convertible Redeemable Shares into common equity in the ratio of 1:1 in October 2004.
- New equity of S\$17 million issued to Employees under the Employee Share Subscription Scheme (ESSS) in December 2004.
- Dividend paid out of S\$24.27 million for FY 2004 (S\$10.11 million as ordinary dividend & S\$14.16 million as special dividend), amounting to a total dividend payout ratio of 60% of the NPAT of the 'Company'.



# Balance Sheet

- ❖ **Working capital:** 81% funding highly liquid stocks & debtors
  - 87% of stocks sold forward or hedged
  - No additional bad debt provision for debtors
  - Advance to suppliers (no. of days) down to 49 days in Dec 2004 from 65 days in Dec 2003 due to faster delivery of stocks by the suppliers



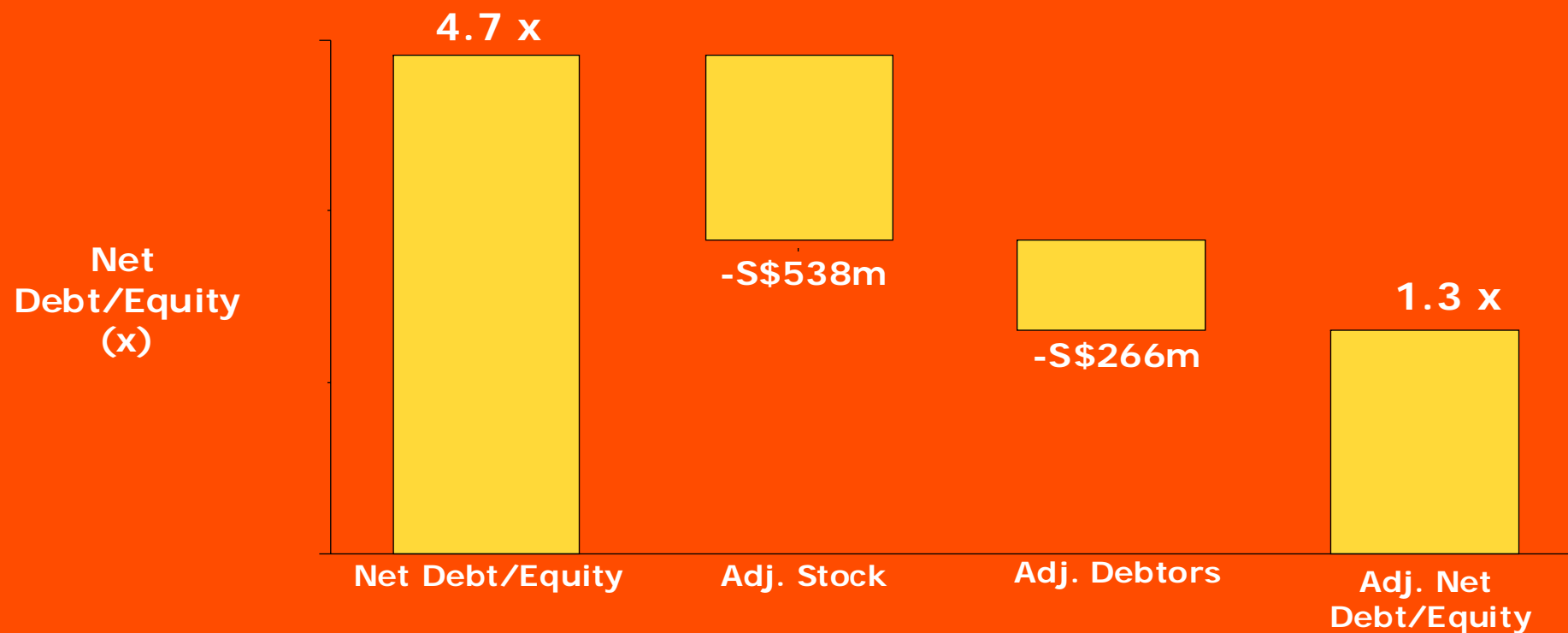
# Balance Sheet

- ❖ Borrowings up by 40.2% to fund increased working capital requirements
  - Borrowings mainly from banks
  - Raised additional S\$72.6 million from issue of Notes
  - CMA replaced by borrowing based facilities
- ❖ Repaid the long term loan of S\$8.6 million from corporate shareholder



# Analysis of Gearing:

Adjusting: hedged, liquid inventory



# Strategy Update



# Our Growth Strategy – Scalability & Replicability

## Growth Adjacency Criteria

Customer Sharing

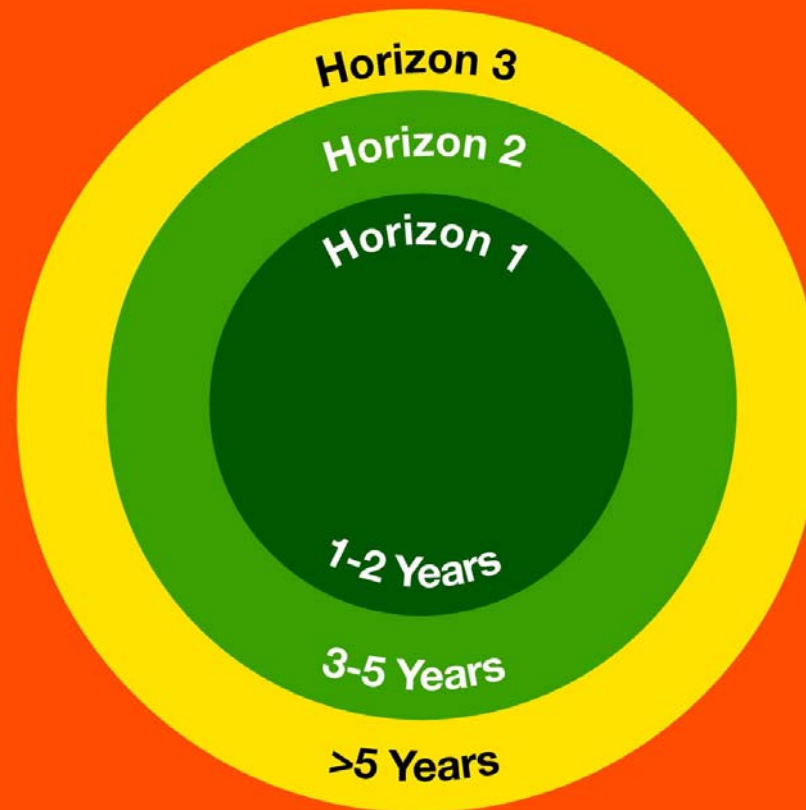
Channel Sharing

Cost Sharing

Capability Sharing



## Planning for Multiple Time Horizons



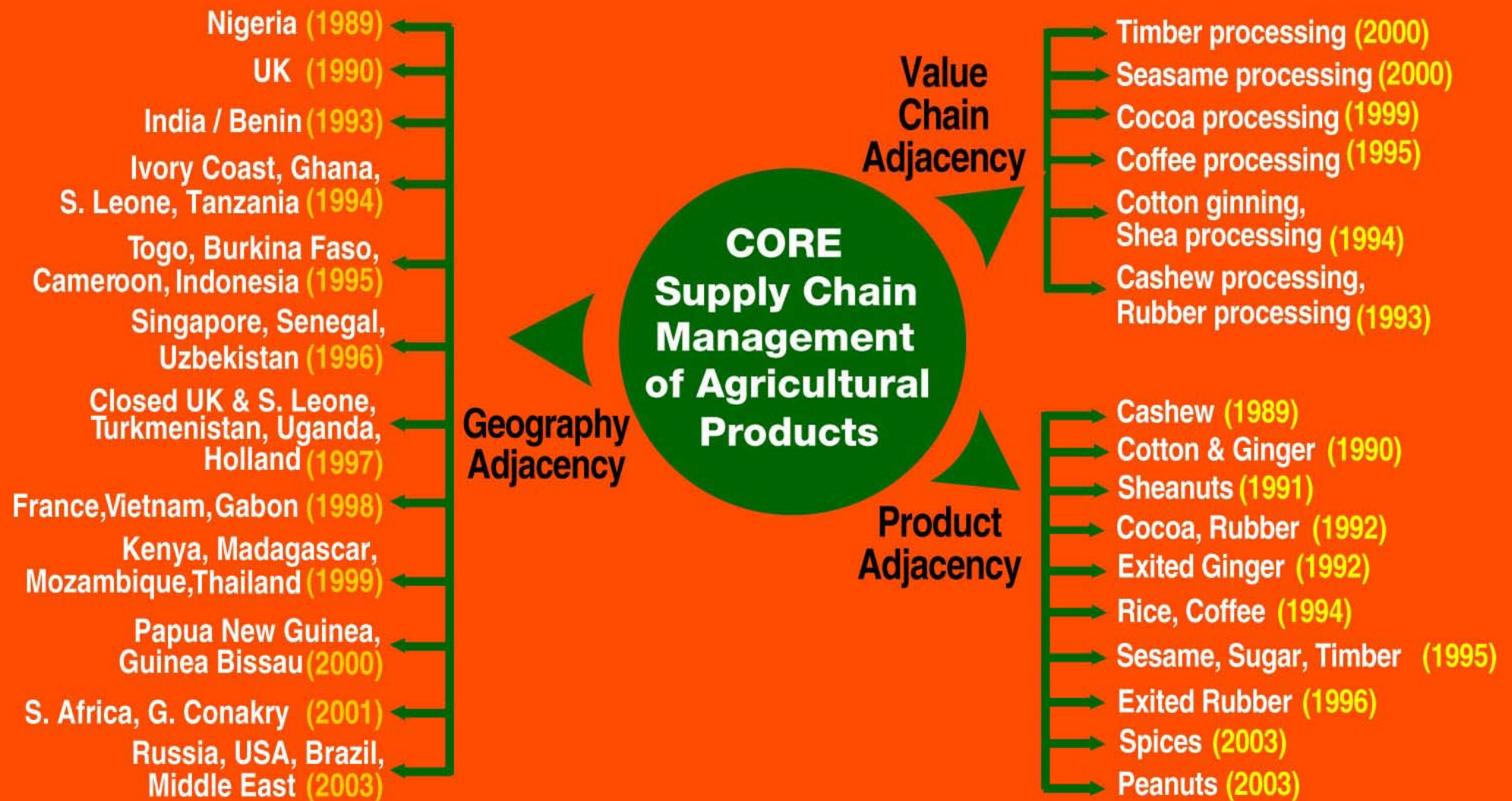
## Growth Adjacency Vectors

Product Adjacency

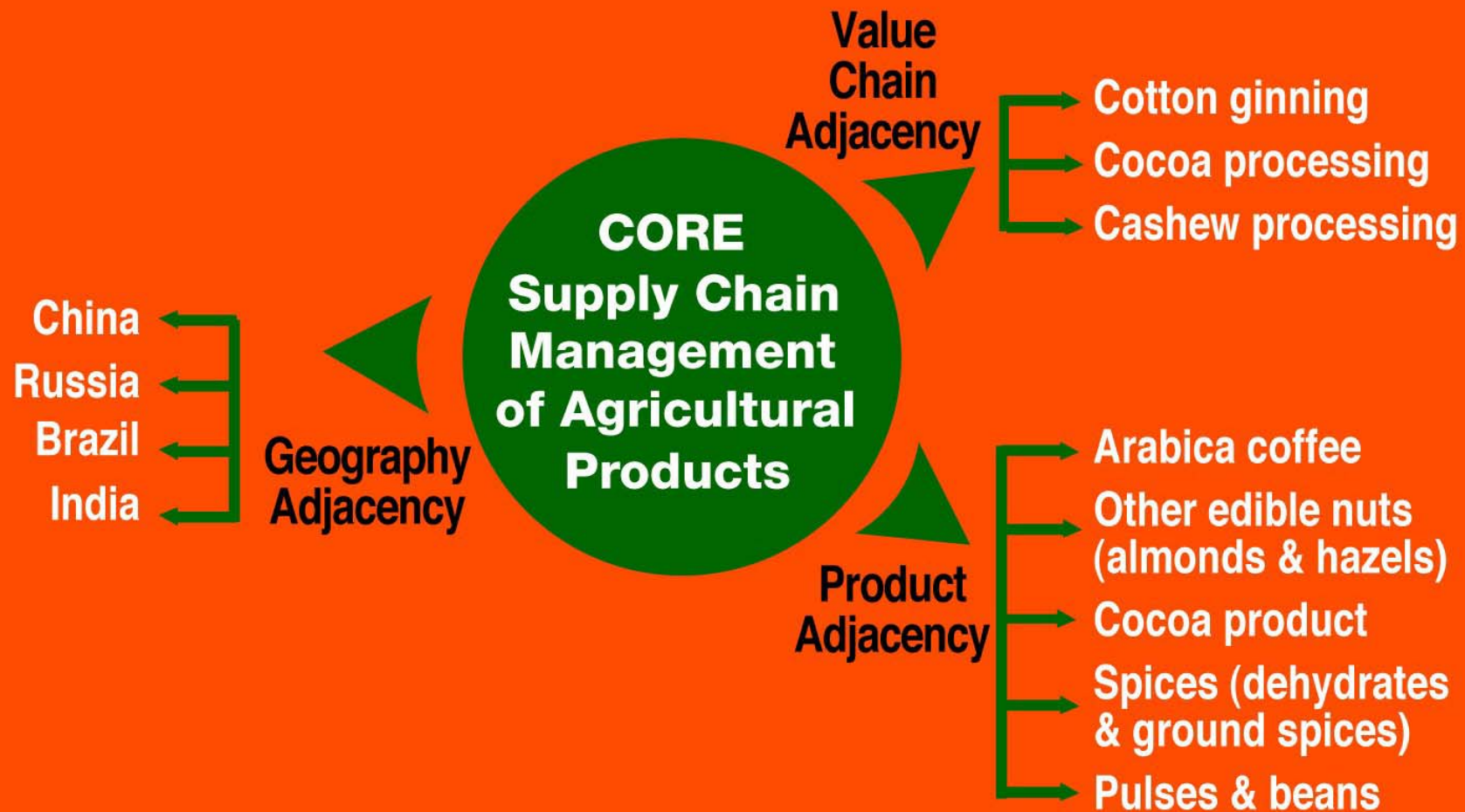
Geography Adjacency

Value Chain Adjacency

# Growth Through Adjacency – Our Past



# Growth Through Adjacency – Our Future



# Strategy update: 2 key themes

## ✿ Focus

- Will enable us to compound skills and deepen competitive position, specialization helps reduce risk of execution of our growth strategies

## ✿ Scale

- Enables us to extract operating leverage and scale economies
- Helps us secure better customer franchise, which leads to a higher degree of pricing control, which is a driver to our profitability



# Strategy update: **Edible Nuts, Spices & Beans**

## ❖ **Product adjacency expansion:**

- Edible Nuts – Almonds & Hazelnuts
- Spices – Cassia, Cumin, Nutmeg, Ginger, Desiccated Coconut

## ❖ **Geography adjacencies:**

- Edible Nuts – Grew market share in Brazil, China & Vietnam
- Spices – Grew market share in Vietnam & Indonesia

## ❖ **Value chain adjacency:**

- Edible Nuts – Expanded processing operations in Vietnam, Brazil & Tanzania; Completed feasibilities for processing expansion into Nigeria, Mozambique & Cote 'd Ivoire.
- Spices – Expanded processing in Vietnam, and completed feasibility for setting up processing in Brazil.



# Strategy update: Confectionary & Beverage ingredients

## ❖ Product adjacency expansion:

- Coffee – Expanded into Arabica in Brazil
- Cocoa – Grew cocoa products volume sourcing from Asia & Africa

## ❖ Geography adjacencies:

- Coffee – New origin Brazil, and set up marketing office in USA
- Cocoa – Set up marketing operations in USA & expanded the London operation

## ❖ Value chain adjacency:

- Coffee – Started work on own processing facility in India, commissioned own processing facility in Uganda.
- Cocoa – Expanded toll processing operation in Nigeria, and commenced due diligence for investing in a cocoa cake milling facility in Spain.



# Strategy update: Food Staples & Packaged Foods

## ❖ Product adjacency expansion:

- Rice – Expanded into premium segments (jasmine, fragrant, US long grain)
- Dairy Products – Expanded into whey powders

## ❖ Geography adjacencies:

- Rice – Started indent operations in new West African markets
- Sugar – Started indent sales into the SARC region (Bangladesh, Pakistan, Sri Lanka)
- Dairy Products – Started sourcing from Argentina & New Zealand

## ❖ Value chain adjacency:

- Rice – Completed feasibility on setting up rice milling operations in Nigeria.
- Sugar – Feasibility being carried out to set up a sugar refinery in one of the large sugar markets.



# Strategy update: Fibre & Wood products

## ❖ Product adjacency expansion:

- Cotton – Expanded the Extra Long Staples (ELS) business
- Timber – Broadened tropical hardwood species mix

## ❖ Geography adjacencies:

- Cotton – Expanded the US sourcing operation, set up sourcing from Brazil & established marketing office in China
- Timber – Established sourcing operations in Brazil & strengthened marketing activities in china

## ❖ Value chain adjacency:

- Cotton – Commissioned feasibility for setting up ginning operations in 2 key countries
- Timber – Completed feasibility for setting up saw milling operations in Gabon, DRC & Brazil.



# Outlook & Prospects



# Outlook & Prospects

- ✦ Initiatives to broaden and deepen our business franchise are in place and are expected to generate sustained growth via rising volumes and enhanced margins going forward
- Contributing factors to the strong 1H FY2005 performance include factors that are structural in nature, including growing volumes, better scale economies & the margin enhancement initiatives yielding results. These positive structural trends remain intact. We therefore continue to be optimistic on the overall business outlook as we head into 2H FY2005 and beyond.



# Outlook & Prospects

- However, the exceptionally strong performance of 1H FY2005 was also partly due to the earlier harvest seasons in most countries that we operate in and which accelerated crop arrivals in the First Half.
- In addition, one of the contributing factors to the exceptionally strong First Half performance was because we were operating in a high margin environment in particularly cocoa & coffee, due to supply side anxieties and the disruptions caused by the Cote d'Ivoire situation. With return to a degree of normalcy, margins in cocoa and coffee are likely to revert to historical levels.
- Therefore, we believe, that we will do better this year (FY2005) compared to last year (FY2004), however, growth for the full year will be more moderated from the exceptional growth rates that we have seen for 1H FY2005.



# Dividends

- ❖ Targeting a dividend payout ratio of no less than 25% of NPAT for FY2005.

## ***Note:***

Assuming that there are no material adverse developments before the end of the Financial Year and on the final recommendation of the Board



# Summary

- ❖ Strong financial track record
- ❖ Proven growth model & unique competitive position
- ❖ Well-diversified across businesses, geographies & customers
- ❖ Risk management is a core competence
- ❖ High governance standards & world class investors
- ❖ Strong prospects & high growth potential

