



9M FY2014 Results Briefing

15 May 2014 | Singapore



Notice

This presentation should be read in conjunction with Olam International Limited's Third Quarter and Nine Months FY2014 Financial Results statement and Management's Discussion and Analysis for the period ended 31 March 2014 lodged on SGXNET on 15 May 2014.

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 Third Quarter and Nine Months FY2014 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.

Agenda

- ❖ Highlights – 9M FY2014
- ❖ Financial Performance
- ❖ Key Takeaways

Highlights – 9M FY2014



Highlights – 9M FY2014

❖ **Continued progress on strategic plan execution**

- ❖ Aggregate impact – Cash release of S\$550.4 mn; P&L gain of S\$108.5 mn; and addition to capital reserves of S\$34.8 mn

❖ **Significant growth in reported earnings**

- ❖ 88.6% growth in PATMI for 9M FY14
- ❖ Steady growth in EBITDA - up 2.7% despite lower volumes
- ❖ Operational PATMI lower by 7.9%, on account of higher depreciation and tax charges

❖ **Improved cash flow generation**

- ❖ Higher operating cash flow, lower capex, release of cash from execution of strategic initiatives, offset by significant price increases across multiple commodities

❖ **Voluntary general offer underway**

Continued progress on strategic plan execution

- ❖ **33.1% reduction in cash Capex** –S\$502.0 mn for 9M FY14 against S\$749.9 mn for 9M FY13
- ❖ **9 completed** strategic initiatives have **released cash** of **S\$395.8 mn**, generated a **P&L gain** of **S\$85.7 mn** and added **S\$16.5 mn** to our **capital reserves**
- ❖ **6 out of the 9 initiatives** contributed **S\$309.5 million** of **cash**, **S\$55.5 million** in **P&L gains** and **S\$16.5 million** addition to **capital reserves** in 9M FY2014 results
- ❖ **3 strategic initiatives**, expected to be completed within FY2014, are likely to **release cash** of **~S\$154.6 mn**, generate a **P&L gain** of **~S\$22.8 mn** and add **~S\$18.2 mn** to our capital reserves
- ❖ **Aggregate impact** of announced initiatives: **cash release** of **~S\$550.4 mn**, **P&L gain** of **~S\$108.5 mn** and **addition to capital reserves** of **~S\$34.8 mn**

Impact of strategic initiatives

9 initiatives announced and completed:

SGD Mn

Announced	Completed	Initiative	P & L impact	Addition to capital reserves	Cash flow released
Q2 FY13	Q2 FY13	Sale and Leaseback of Almond Plantation Assets, US	18.1		68.6
Q3 FY13	Q3 FY13	Buyback of NZFSU Bonds	6.0		
Q3 FY13	Q4 FY13	Sale of Basmati Rice Mill, India to Ebro Foods	6.1		17.7
Q4 FY13	Q1 FY14	Sale of 25.5% stake in Noodles business to Sanyo Foods		14.2	25.1
Q2 FY14	Q2 FY14	Sale of Dirranbandi Cotton Gin, Australia	5.9		22.7
Q2 FY14	Q3 FY14	Sale and Leaseback of Almond Plantation Assets, Australia	63.2		233.1
Q3 FY14	Q3 FY14	Divestment of Olam Lansing JV, Canada			6.8
Q3 FY14	Q3 FY14	Sale of Timber Assets, Gabon	(14.6)		21.8
Q3 FY14	Q3 FY14	Repurchase of Bonds and Perpetual Securities	1.0	2.3	
		Total	85.7	16.5	395.8

Impact of strategic initiatives

3 announced initiatives expected to be completed in Q4 FY14:

SGD Mn

Announced	Expected	Initiative	P & L impact	Addition to capital reserves	Cash flow expected
Q2 FY14	Q4 FY14	Sale of 14.99% stake in OCDL, New Zealand			48.8
Q3 FY14	Q4 FY14	Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon		18.2	37.7
Q4 FY14	Q4 FY14	Sale and Leaseback of Dairy Farm Land, Uruguay	22.8		68.0
		Total	22.8	18.2	154.6

Financial Performance



Significant growth in reported earnings

SGD Mn

	9M FY2014	9M FY2013	% Change	Q3 FY2014	Q3 FY2013	% Change
Volume ('000 MT)	11,379.1	11,655.0	(2.4)	4,018.0	3,882.6	3.5
Revenue	13,664.1	14,306.8	(4.5)	4,836.4	4,717.3	2.5
EBITDA	900.1	876.0	2.7	335.3	340.3	(1.5)
PAT	566.4	308.4	83.7	392.9	115.3	240.9
PATMI	576.7	305.8	88.6	396.1	108.5	265.1
Operational PATMI	276.9	300.7	(7.9)	102.2	121.5	(15.9)

- **Lower volume** as compared to a high base of 9M FY13 and reduced Wood Product volumes post restructuring
- **Lower revenues** due to lower volumes and change in product mix
- **Steady EBITDA growth** as most segments (excluding Food Staples & Packaged Foods) recorded growth
- Significant growth in **PATMI**, including exceptional gains from the successful execution of several strategic initiatives
- Excluding exceptional items, **Operational PATMI** was lower primarily due to higher tax and depreciation charges

Detailed P&L analysis

- ❖ **PATMI** (including exceptional items) **increased** by **88.6%** to **S\$576.7 mn** for 9M FY14 (S\$305.8 mn for 9M FY13)
- ❖ **Sales volume declined** marginally by **2.4%** against a high base of 9M FY13 (which saw a 61.5% increase over 9M FY12)
- ❖ 9M FY14 **EBITDA up 2.7%** to S\$900.1 mn, driven by **improved results** from all segments other than Food Staples and Packaged Foods
- ❖ 9M FY14 recorded a **net loss** on fair valuation of **biological assets** of **S\$20.7 mn** compared to a **net gain** of **S\$50.0 million** in 9M FY13.
- ❖ **Operational PATMI** (excluding exceptional items) **declined 7.9%** to **S\$276.9 mn**
 - ❖ **Net finance costs** stayed **flat** at S\$400.4 mn in 9M FY14 as against S\$404.6 mn in 9M FY13
 - ❖ **Higher depreciation and amortisation** at S\$168.1 mn vs. S\$123.3 mn in 9M FY13
 - ❖ **Operational tax expenses** for 9M FY14 **were higher** at S\$65.0 mn vs. S\$44.7 mn for 9M FY13

Details of exceptional items

SGD Mn

	9M FY2014	9M FY2013	Q3 FY2014	Q3 FY2013
Sale of Dirranbandi Cotton Gin, Australia	5.9			
Sale and Leaseback of Almond Plantation Assets, Australia	63.2		63.2	
Sale of Timber Assets, Gabon	(14.6)		(14.6)	
Repurchase of Bonds and Perpetual Securities	1.0		1.0	
Fair Valuation of Investment in PureCircle Limited	271.0		271.0	
Write-Off of Laos Coffee Plantation Expenses	(26.7)		(26.7)	
Sale and Leaseback of Almond Plantation Assets, US		27.9		0.1
Buyback of NZFSU Bonds		6.0		6.0
Termination Expenses - Nigeria and Brazil Sugar Refineries		(19.0)		(19.0)
Exceptional Items	299.8	14.8	293.9	(13.0)
Tax on Sale and Leaseback of Almond Plantation Assets, US		(9.8)		
Post-Tax Exceptional Items	299.8	5.1	293.9	(13.0)

Improved cash flow generation despite higher prices

SGD Mn

Cash Flow Summary	9M FY2014	9M FY2013	Y-o-Y
Operating Cash flow (before Interest & Tax)	875.5	820.7	54.8
Changes in Working Capital	(1,376.5)	(999.6)	(376.9)
Tax paid	(38.1)	(17.6)	(20.5)
Net Operating Cash flow	(539.1)	(196.5)	(342.6)
Capex / Investments	(168.0)	(665.2)	497.2
Free cash flow to firm (FCFF)	(707.1)	(861.7)	154.6
Net interest paid	(403.1)	(383.5)	(19.6)
Free cash flow to equity (FCFE)	(1,110.2)	(1,245.2)	135.0

- **Improved cash flow** from **operations**, **reduced pace** of new investments and **release of cash** from execution of strategic plan initiatives
- **Partially offset** by a **significant increase in commodity prices** in Q3 FY2014, especially across Edible Nuts, Spices and Vegetable Ingredients and Confectionery and Beverage ingredients segments

Impact of price changes on working capital

SGD Mn

	30-Jun-13	31-Dec-13	31-Mar-14	Q-o-Q	31-Mar-13	Y-o-Y
Working Capital	5,652.0	6,231.4	6,882.5	10.4%	6,942.0	-0.9%

		31-Dec-13	31-Mar-14	Q-o-Q	31-Mar-13	Y-o-Y
Arabica Coffee	USD / MT	2,490.1	3,968.3	59.4%	3,078.8	28.9%
Robusta Coffee	USD / MT	1,683.0	2,084.0	23.8%	2,074.0	0.5%
Cocoa (LIFFE)	GBP / MT	1,727.0	1,864.0	7.9%	1,477.0	26.2%
Industrial Tomato paste	USD / LB	0.44	0.46	4.5%	0.36	27.8%
Almonds	USD / MT	8,820.0	9,150.0	3.7%	7,610.0	20.2%

- **Reduction in working capital** vis-à-vis March 31, 2013 **despite a significant increase** in commodity prices across **Confectionery & Beverage Ingredients, Edible Nuts and Spices & Vegetable Ingredients** segments

Improved gearing

SGD Mn

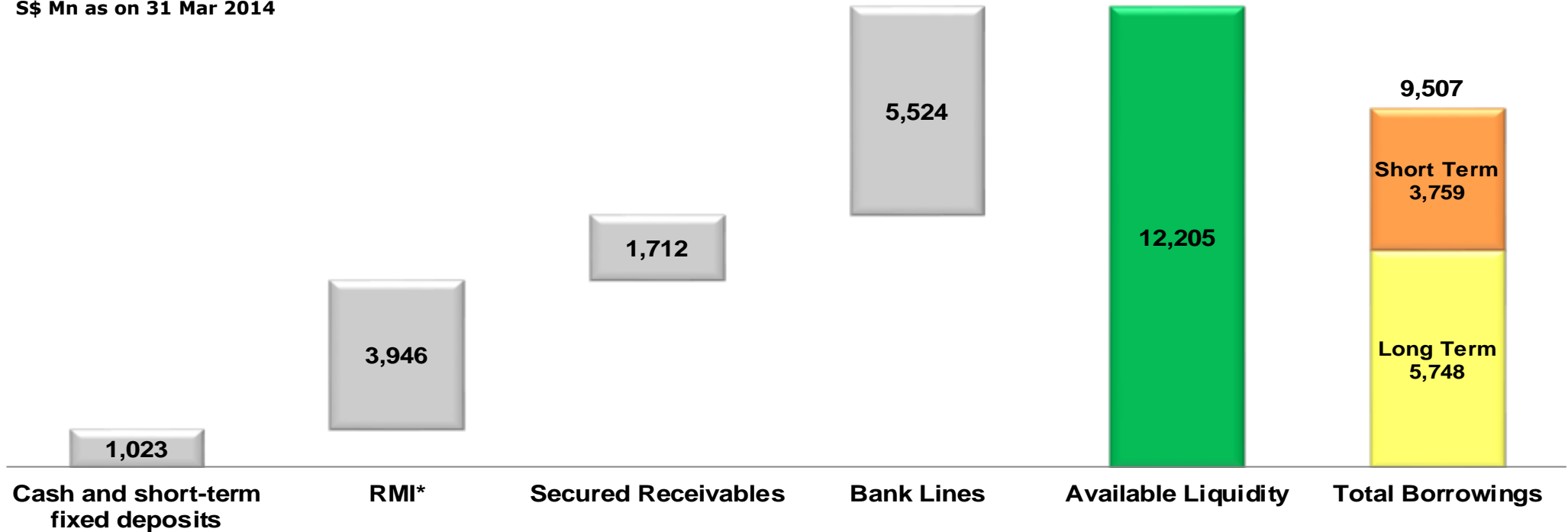
	31-Mar-14	30-Jun-13	Change vs Jun 13	31-Mar-13	Change vs Mar 13
Gross debt	9,506.8	8,848.2	658.6	9,327.4	179.4
Less: Cash	1,022.6	1,591.0	(568.4)	1,327.7	(305.1)
Net debt	8,484.2	7,257.2	1,227.0	7,999.7	484.5
Less: Readily marketable inventory	3,945.6	3,373.3	572.3	3,930.5	15.1
Less: Secured receivables	1,712.4	1,822.4	(110.0)	1,258.2	454.2
Adjusted net debt	2,826.2	2,061.5	764.7	2,811.0	15.2
Equity (before FV adj reserves)	4,186.5	3,765.0	421.5	3,639.1	547.4
Net debt / Equity (Basic)	2.03	1.93	0.10	2.20	(0.17)
Net debt / Equity (Adjusted)	0.68	0.55	0.13	0.77	(0.10)

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

- **Net debt and gearing increased from end of FY2013** due to usual seasonality of our business
- Gearing **significantly lower** than **March 31, 2013**, despite higher debt, due to a higher equity base

Ample liquidity

S\$ Mn as on 31 Mar 2014



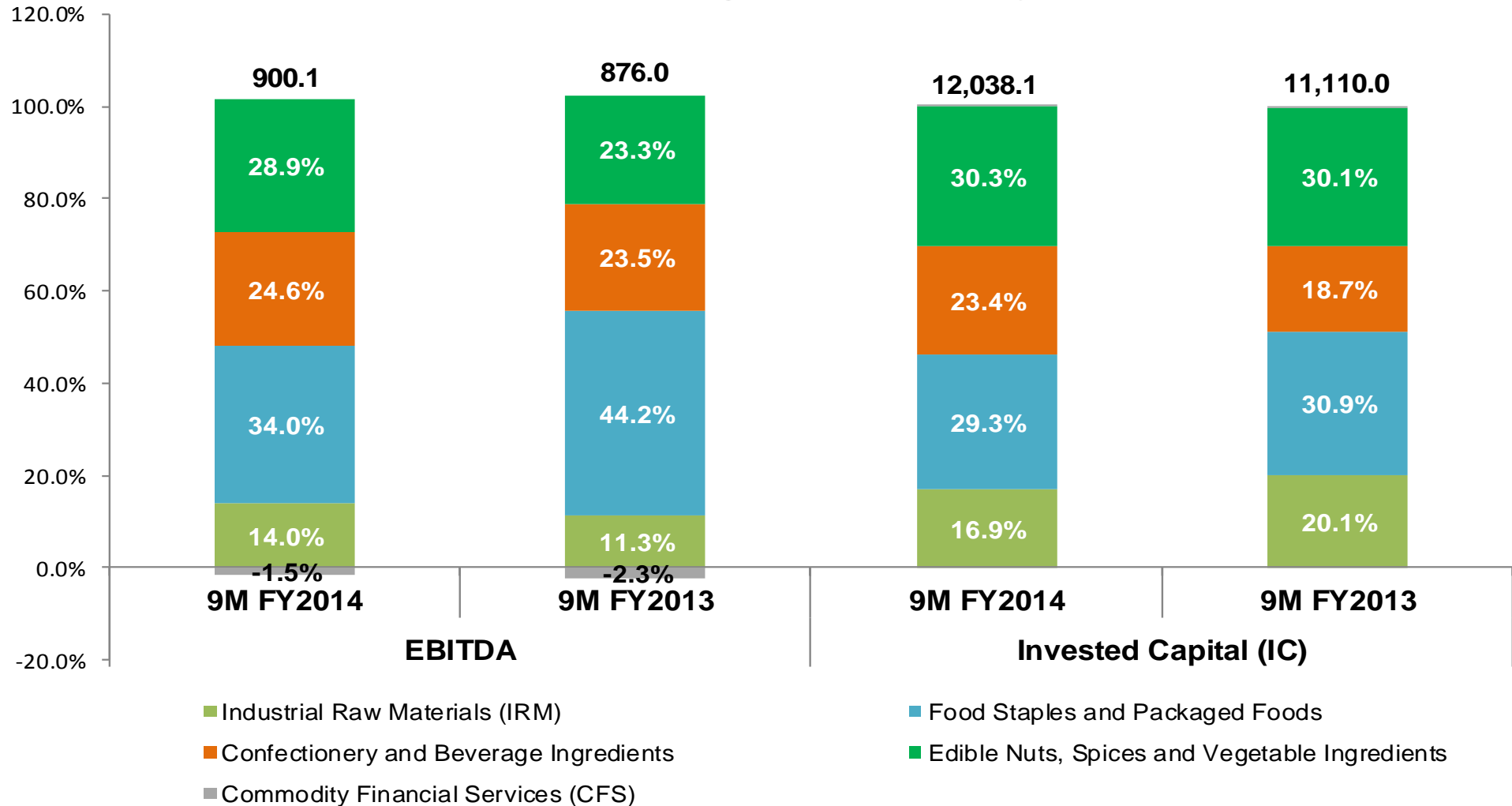
*RMI: inventories that are liquid, hedged and/or sold forward

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- **Borrowing mix remains well diversified** across sources and tenors
- **Significant improvement** in secondary **bond yields across all maturities** post announcement of the voluntary general offer

Segment EBITDA and IC Summary

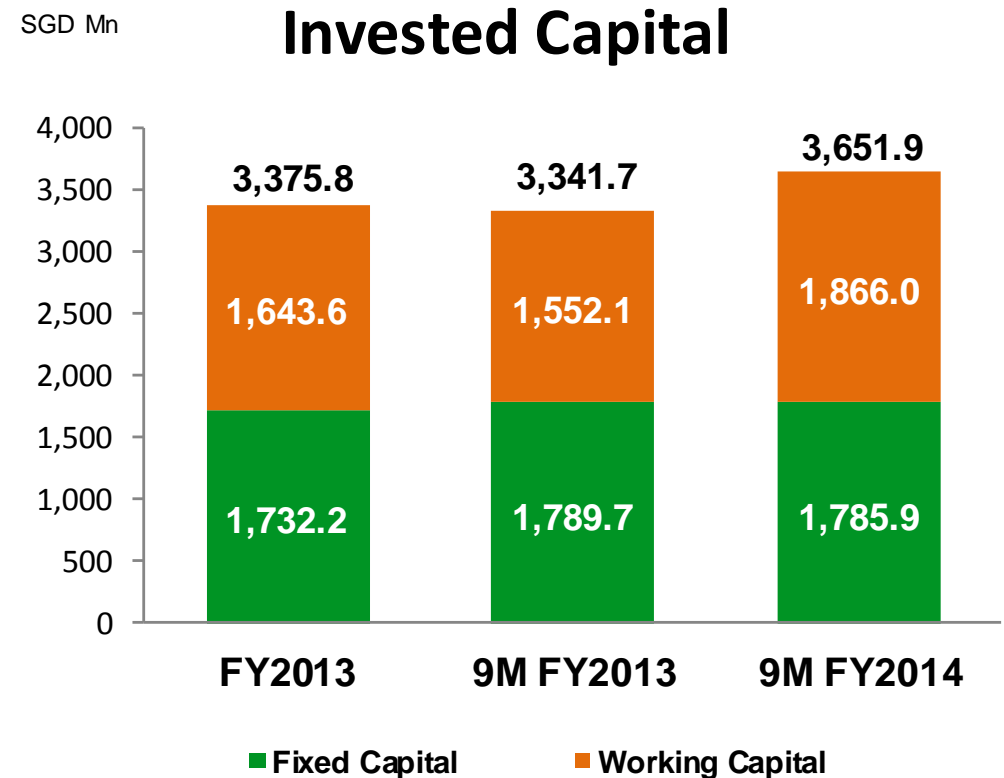
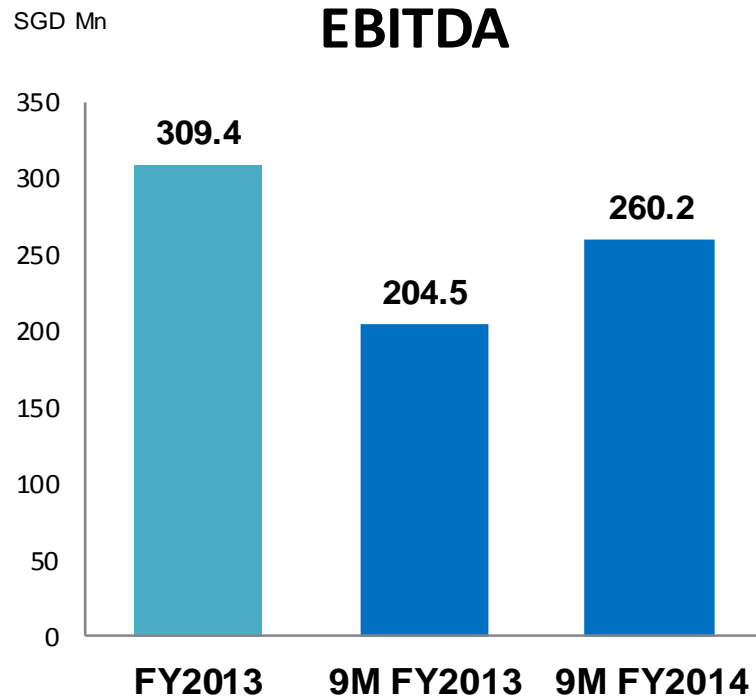
Business Segment Summary

SGD Mn



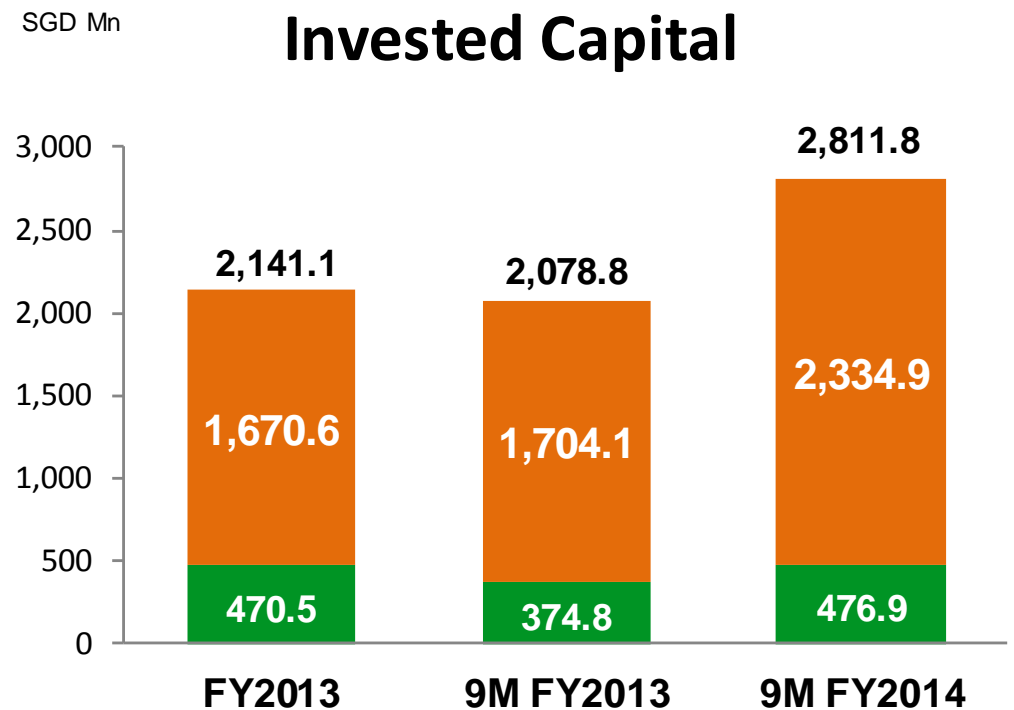
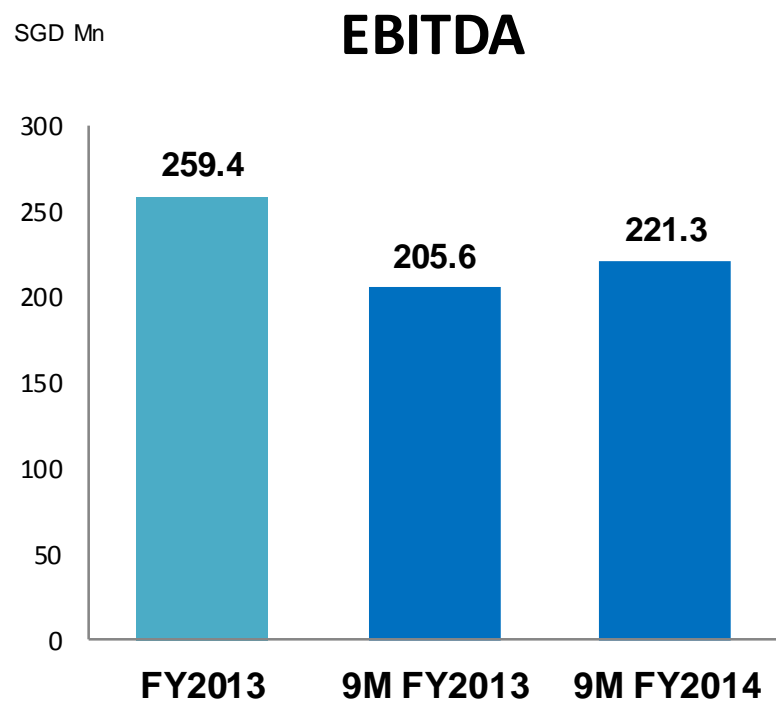
9M FY14 IC excludes (a) Gabon Fertiliser Project fixed capital of S\$177.0 mn (9M FY13: S\$68.3 mn), (b) PureCircle Ltd of S\$392.2 mn (9M FY13: S\$136.1 mn)

Edible Nuts, Spices & Vegetable Ingredients



- **Almonds** and **Onions** outperformed on the back of higher volumes and prices and we saw improved performance in our **Tomato** and **Peanut** businesses. Continuing underperformance in mechanical **Cashew** processing (Nigeria)
- Higher **Almond** and **Tomato** prices led to an increase in **working capital**

Confectionery & Beverage Ingredients



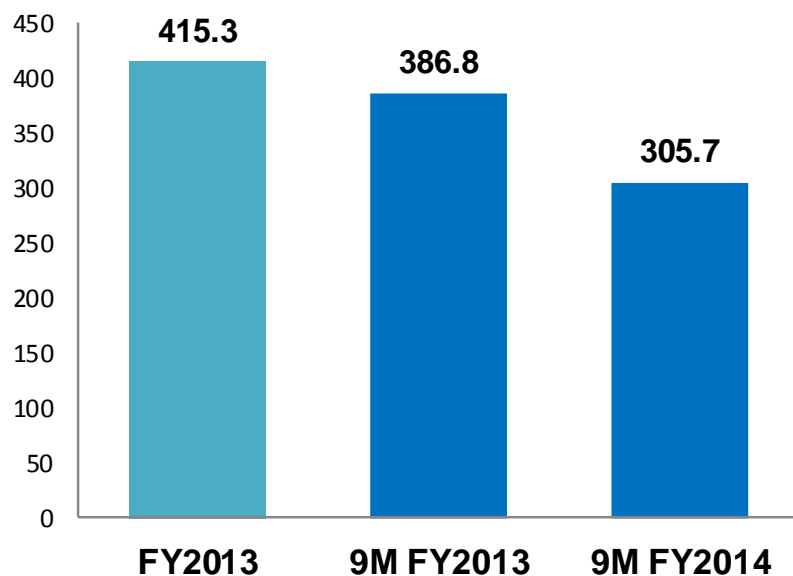
■ Fixed Capital ■ Working Capital

- **EBITDA** growth led by improving supply chain margins (aided by favourable trading conditions) in **Coffee** and continued strong performance in **Cocoa**
- Commenced **trial production** at our **greenfield Cocoa processing** facility in Côte d'Ivoire.
- **Higher invested capital** due to significant increase in **Coffee** and **Cocoa** prices
- Write-Off of **upstream Laos Coffee** plantation expenses

Food Staples & Packaged Foods

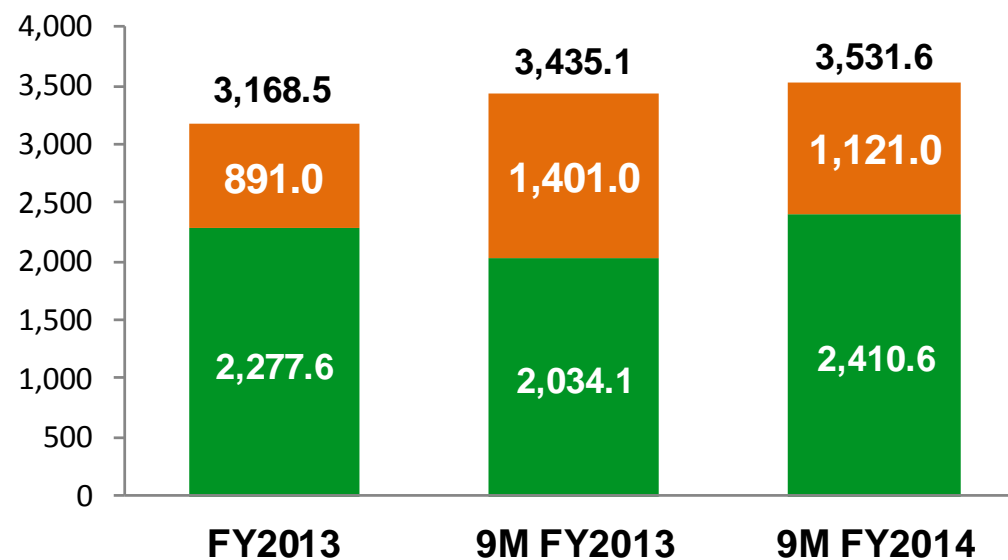
SGD Mn

EBITDA



SGD Mn

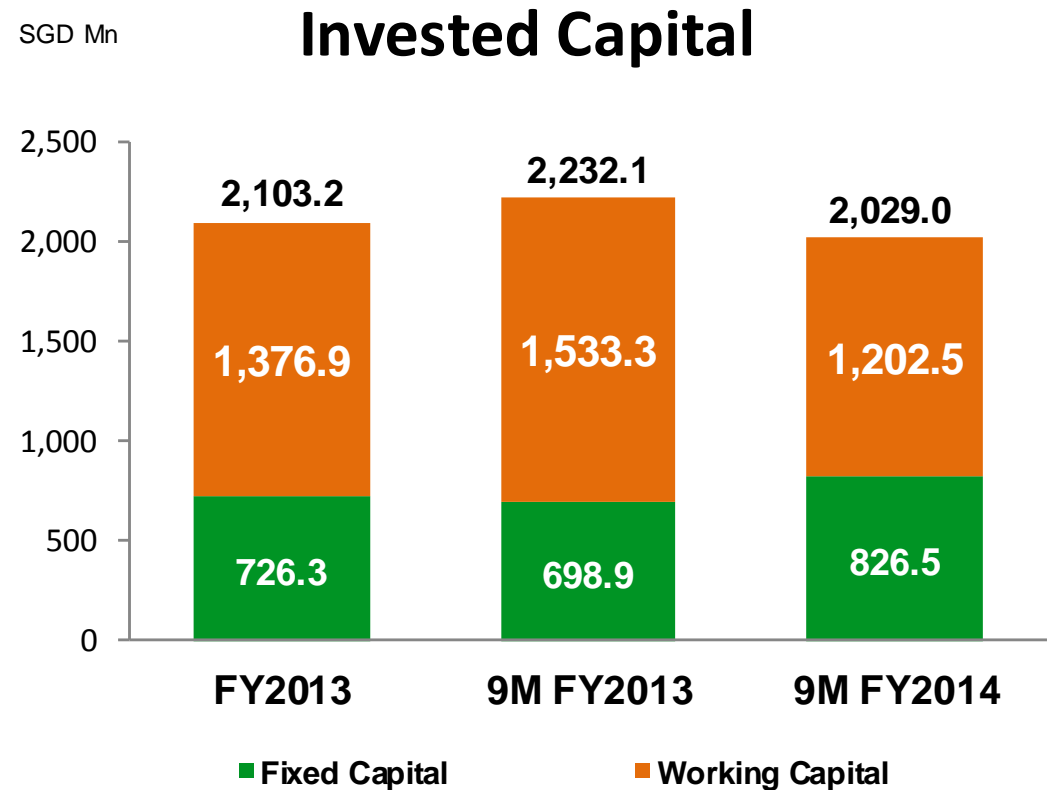
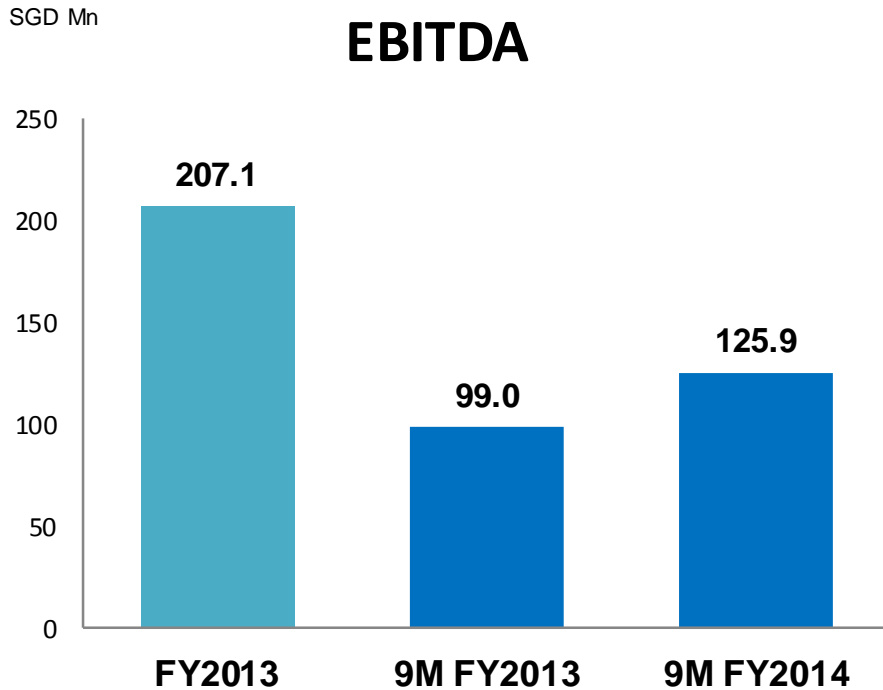
Invested Capital



■ Fixed Capital ■ Working Capital

- **EBITDA** impacted by lower **Grains** and **Rice** volumes and margins, impact of **currency devaluation** in Ghana, and upstream **Dairy** underperformance (Rusmolco). **Wheat flour mills** and **Packaged Foods** in Nigeria, **Dairy** supply chain and the **Sugar** business performed well during the period
- **Invested capital** increased due to higher fixed capital investments in the **Rice** farm in Nigeria, **Palm** plantations in Gabon and **flour mills** in Senegal and Cameroon. Lower inventories of Grains and Rice, and working capital optimisation initiatives led to **reduction in working capital** as against 9M FY13

Industrial Raw Materials



- **EBITDA** growth driven by higher **Cotton** margins
- **Working capital** decreased on account of lower Wood Products and Cotton inventories and the impact of working capital optimisation initiatives. **Fixed capital** investments made in **Rubber** plantations and **SEZ** in **Gabon**

Key Takeaways



Key Takeaways

- ❖ **Strong progress** in **executing** our **strategic plan**
- ❖ **Steady improvements** in **EBITDA** and **cash flow** generation
- ❖ **Focus** remains on **extracting value** from **existing operations** and **investments**
- ❖ Continue to **pursue new initiatives** in select platforms to **consolidate competitive position** and **to build for the future**

Thank You

