



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

## FY2014 Performance Review

Thursday, 30<sup>th</sup> October 2014 | Singapore



# Four priorities and six pathways were established as part of **Strategic Plan 2013**

**Strategy Review & Stakeholders consultation established 4 additional priorities in the Strategic Plan announced in April 2013:**

**1**

**Accelerate free cash flow generation**

**2**

**Reduce gearing**

**3**

**Reduce complexity**

**4**

**Promote better understanding of Olam's business**

**... 6 pathways were developed to realize these 4 priorities:**

**1**

**Recalibrate pace of investments**

**2**

**Optimise Balance Sheet**

**3**

**Pursue opportunities for unlocking Intrinsic Value**

**4**

**Reshape portfolio and reduce complexity**

**5**

**Improve operating efficiencies**

**6**

**Enhance stakeholder communication**

# Good progress on all pathways with 18 announced transactions generating S\$948M in cashflow, resulting in total gain of S\$264M (S\$129M booked to P&L, S\$135M booked to Capital Reserves)

## 1 Recalibrate pace of investments

- Continued **moderation** of **capex**
- FY13 **Cash Capex** Actuals **S\$1050.6 million**
- FY14 **Cash Capex** Actuals **S\$206.0 million**
- Gross cash capex **reduction** of **49.7%** compared to FY13
- Net of disposals cash capex **reduction** of **80.4%** compared to FY13

## 2 Optimise Balance Sheet

- **Sale & leaseback** to continue enjoying ownership benefits while reducing asset intensity and gearing
  - **Almond orchards: Completed 2 transactions** (in USA & Australia)
  - **Uruguay dairy farmland**
- **Sale of 14.99% stake** in **OCDL**, New Zealand with tolling arrangement

## 3 Pursue opportunities for unlocking Intrinsic Value

- **Sold 25% stake** in **PFB** business to **Sanyo** establishing benchmark value, generating cash flow while accessing capabilities from strategic investor
- **Sale of 10%/20% stake** in **Palm/Rubber** to RoG, Gabon to reduce exposure to high capex, long gestation projects
- **Sale of 80% stake** in our **Australian Grain's business** to **Mitsubishi**

## 4 Reshape portfolio and reduce complexity

- **Divested assets in non-core** or structurally unattractive segments:
  - Basmati rice mill in India
  - Cotton gin in Australia
  - Lansing JV in Canada - Grains
  - Timber assets in Gabon
  - Sweet & Evap Milk facility in IVC

## 5 Improve operating efficiencies

- **Reduced pace** of **OH growth**
- **Improved working capital management** in multiple BUs and therefore for the overall portfolio

## 6 Enhance stakeholder communication

- **Executed** expanded calendar of **investor days** and **field visit days**
- Created **quarterly** ("MD&A") **reporting mechanism**
- Introduced **EBITDA** and **EBITDA/Avg IC** as **key reporting metrics**

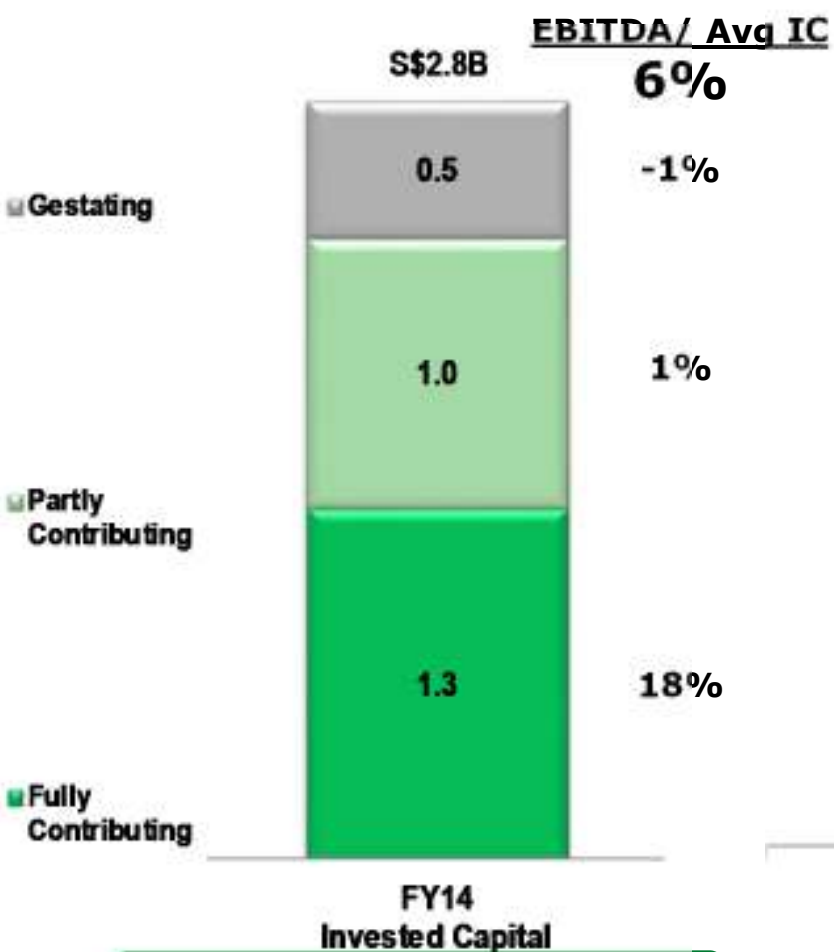
# FY2014: Performance Review - P&L Analysis

<i><b>S\$ million</b></i>	<b>2014</b>	<b>2013</b>	<b>% Change</b>
Volume ('000)	14,877.3	15,953.5	(6.7)
Revenue	19,421.8	20,801.8	(6.6)
<b>EBITDA</b>	<b>1,168.8</b>	<b>1,170.8</b>	<b>(0.2)</b>
<b>PAT</b>	<b>641.3</b>	<b>391.5</b>	<b>63.8</b>
<b>PATMI</b>	<b>608.5</b>	<b>362.6</b>	<b>67.8</b>
<b>Operational PATMI</b>	<b>325.4</b>	<b>348.6</b>	<b>(6.7)</b>

- **Significant growth (67.8%)** in reported **PATMI**, including exceptional gains from the successful execution of several strategic initiatives
- Excluding exceptional items, **Operational PATMI** was lower (**6.7%**) primarily due to higher amortization and depreciation charges
- FY14 recorded a **net operational loss** on fair valuation of biological assets of S\$3.7 m compared to a gain of S\$92.5 m in FY13
- **EBITDA maintained**, despite lower volumes, from a strong midstream segment performance

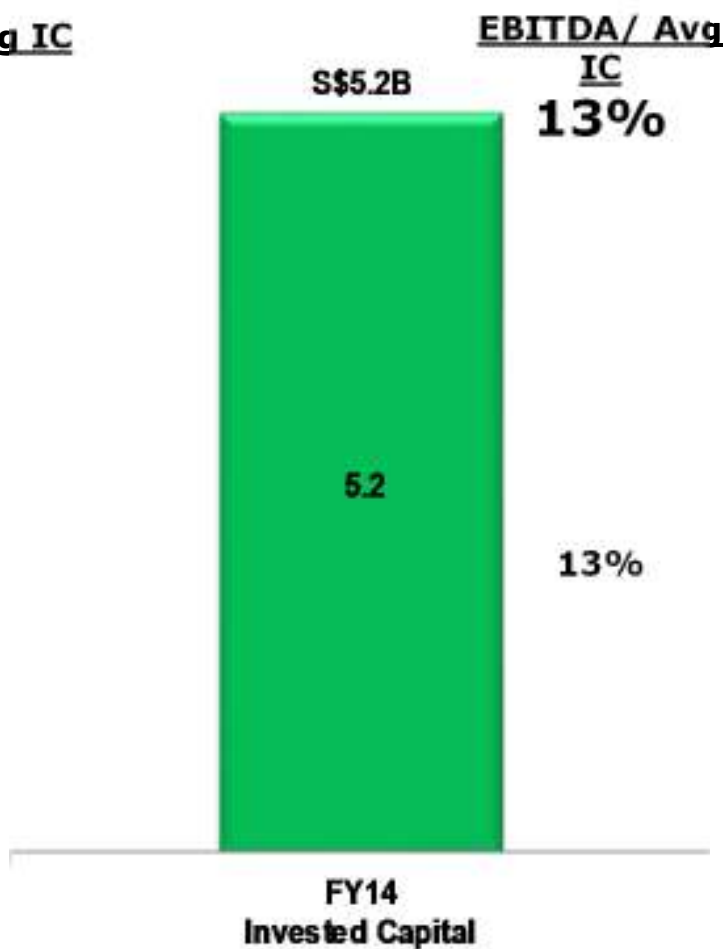
# Fully contributing assets already delivering target returns

## Upstream



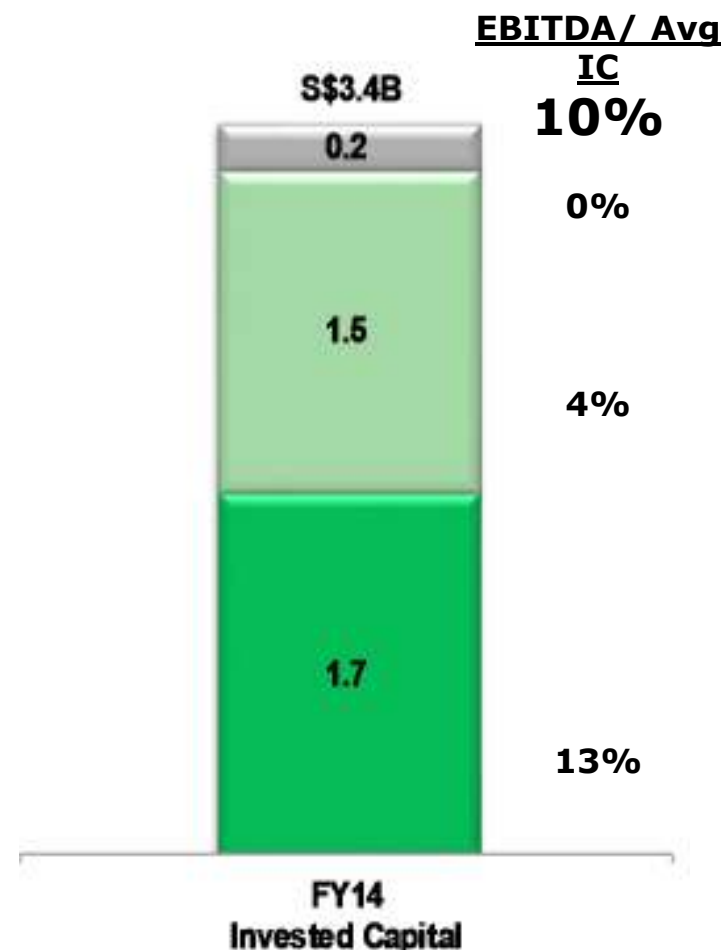
Expected EBITDA/IC  
in plan period: 15-18%

## Supply Chain



Expected EBITDA/IC  
in plan period: 10-13%




## Mid/Downstream



Expected EBITDA/IC  
in plan period: 13-16%

# Gestating and partially contributing investments to drive future growth




## Upstream

-  Total invested capital (IC) of S\$2.8 b (FY13: S\$2.5 b)
-  S\$1.5 b IC is currently gestating / partly contributing
-  **Fully contributing IC** of S\$1.3 b **delivered 18%** EBITDA/Average IC

## Supply chain

-  **S\$5.2 b IC** (FY13: S\$4.9 b) **delivered 13%** EBITDA/Average IC

## Mid/downstream

-  Total IC of S\$3.4 b (FY13: S\$3.5 b)
-  S\$1.7 b IC is currently gestating / partly contributing
-  **Fully contributing IC** of S\$1.7 b **delivered 13%** EBITDA/Average IC



# Other Highlights: FY2014

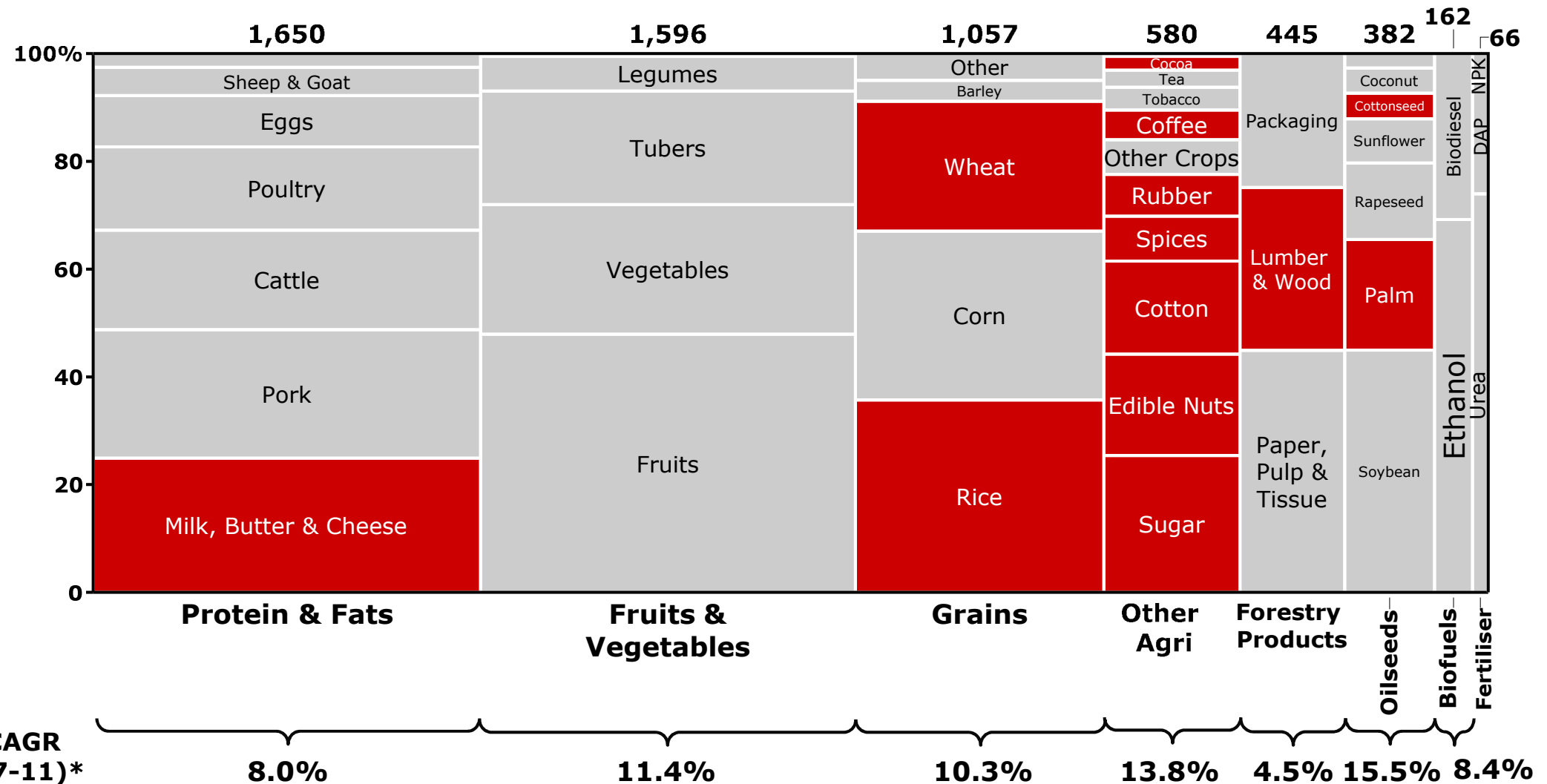
- ❖ **Improved cash flow generation: FCFF improved by S\$327 m** from higher operating cash flow, lower capex, release of cash from execution of strategic initiatives, partially offset by higher working capital due to a significant price increase in the confectionery & beverage ingredients segment
- ❖ **Reduced net gearing to 1.82x** below the FY16 target of 2.0x
- ❖ **Voluntary general offer successfully completed**
  - ❖ At close, Temasek and concert parties owned ~80.4% of the issued capital and ~90.7% of issued warrants of the Company
  - ❖ Temasek with ~58.5% ownership becomes the largest shareholder of Olam
- ❖ **Initiated restructuring** and rebalancing of the **debt portfolio** to reduce overall financing cost
- ❖ **Focus** will be on **balancing** growth and cash flow by **extracting value** from **existing investments** and **selectively investing** in new initiatives and opportunities that maximise shareholder value over time
- ❖ **Dividend:** Board recommends a **final ordinary dividend of 5.0 cents per share** and an **additional special Silver Jubilee dividend of 2.5 cents per share**

# Agri-sector comprises a huge global market: US\$5.9 trillion in production value with attractive growth prospects. Olam currently participates in 26% of this addressable market

 Olam's current participation

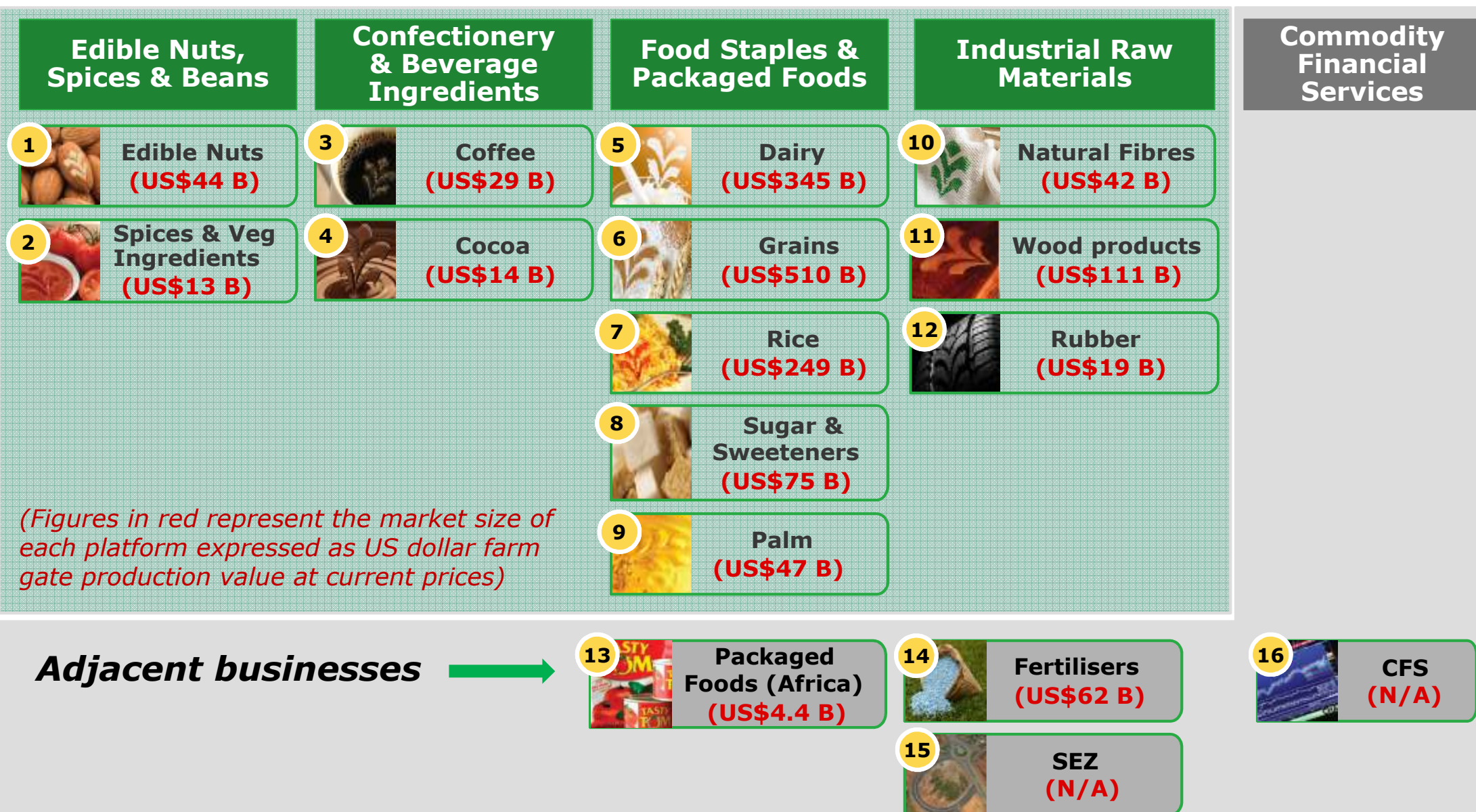
**Total = 5,938.6B**

**2014 Global agricultural production value by product category (USD B)**





# Our Portfolio: **Single asset class (agri-sector)** and **broadly diversified (5 Segments, 16 Platforms)**



# Our Business Model: **How** are we **differentiated**?

- 1** **Focus on niche commodities & niche businesses with leadership positions**  
(e.g. Edible Nuts, SVI, Dairy, Rice, Packaged Foods, Rubber, SEZ)
- 2** **Adopt defensible niche strategies in mainstream commodity categories**  
(e.g. Grains - Africa Milling, Palm - leadership in W. Africa)
- 3** **Unique Africa footprint and operating capabilities**  
(Direct presence in 24 countries in Africa)
- 4** **Out-origin** our competition - buying from **growers & village level agents** at the **farmgate**
- 5** **Provide value added solutions and services for customers**  
(traceability guarantees, sustainable & certified raw materials, vendor managed inventory solutions, risk management solutions & proprietary market intelligence)
- 6** **Uniquely shaped portfolio – diversified upstream presence across products and geographies**



**We have built a focused, differentiated & defensible portfolio**

# Thank You

