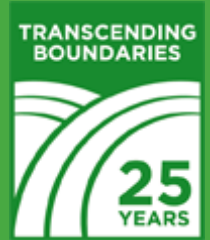


# **Olam International Limited**

## **Acquisition of McCleskey Mills Inc.**

Analysts/Media Conference Call  
5 December 2014 | 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.

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# Presenters



- **A. Shekhar**

Executive Director, Finance & Business Development  
Olam International



- **Ashok Krishen**

Managing Director & Global Head, Edible Nuts  
Olam International



- **Anupam Jindel**

President & Global Head, Peanuts  
Olam International



- **Joe West**

Executive Vice President, Operations & Sales  
McCleskey Mills

# Agenda

- Transaction Overview
- Olam's Current Participation in Peanuts
- US Peanut Industry
- Profile of McCleskey Mills Inc. (MMI)
- Benefits of Olam-MMi Combination
- Financial Impact
- Summary



# Transaction Overview



***Peanut harvesting, Argentina***



# Transaction Overview

## Highlights

- ❖ Olam to acquire 100% equity stake in McCleskey Mills Inc. (MMI) from its owners at an Enterprise value of US\$176M
- ❖ Located in the Southeast, the peanut heartland of the US, MMI is the 3<sup>rd</sup> largest Sheller with a market share of 12%, 2 large shelling facilities and a strong customer franchise in the domestic market
- ❖ 3 key employee shareholders will remain in the business to drive integration and future growth

## Investment Rationale

- ❖ Consistent with Olam's strategy to selectively invest in prioritised platforms; Edible Nuts being one of the identified platforms
- ❖ US shelling is one of the largest and most attractive segments in the peanut value chain and this transaction will close a current gap in our peanut portfolio
- ❖ Enables Olam to backward integrate its existing peanut blanching and ingredient processing business in the US and significantly adds to its existing shelling capacity in Argentina, India and South Africa
- ❖ Provides an opportunity to extract multiple cost synergies and explore additional growth opportunities with existing customers in the US and in other export markets where Olam has a strong presence
- ❖ US is the most competitive peanut producer and exporter; a shelling investment in the US is therefore an important strategic imperative for Olam given our global presence across key consuming markets














# Olam's Current Participation in Peanuts



*Peanut Processing, India*



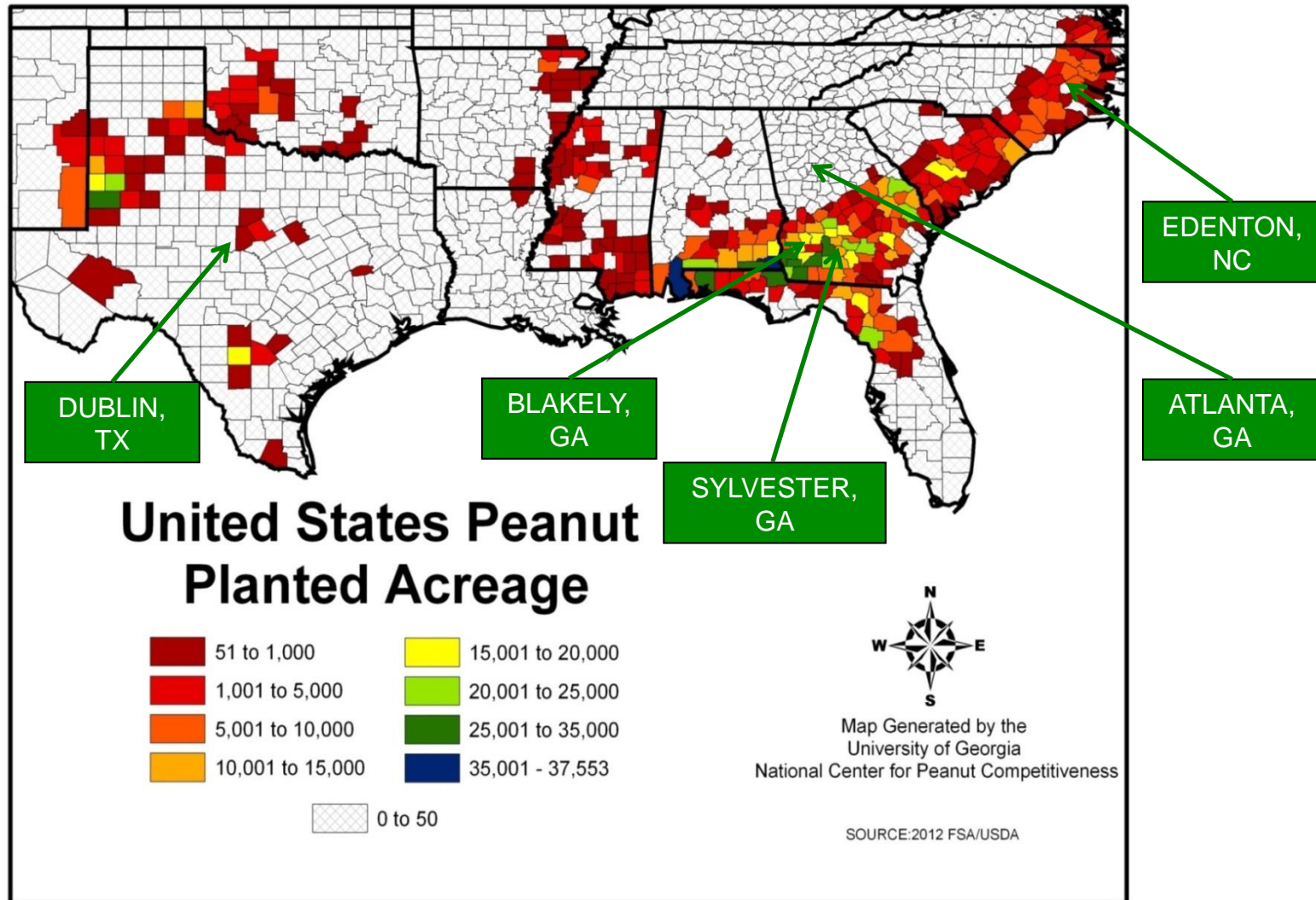
# Olam's Global Participation in Peanuts

Origin	Farming	Shelling	Trading/ Distribution	Blanching	Ingredients
Argentina	 <b>OLAM</b>	 <b>OLAM</b>	 <b>OLAM</b>	 <b>OLAM</b>	
US			 <b>OLAM</b>	 <b>OLAM</b>	 <b>OLAM</b>
India		 <b>OLAM</b>	 <b>OLAM</b>	 <b>OLAM</b>	
South Africa	 <b>OLAM</b>	 <b>OLAM</b>	 <b>OLAM</b>		
China (net importer)			 <b>OLAM</b>		



# Olam's Current Participation in US Peanuts

4 peanut blanching and ingredient manufacturing facilities





# Blanching Plant in Blakely, Georgia

Blakely, GA

Pre-Cleaning, Re-milling, and Blanching Lines





# Blanching & Re-milling in Sylvester, Georgia

Sylvester, GA  
Pre-Cleaning, Re-milling, and Blanching Lines



# Blanching & Re-milling in Dublin, Texas

Dublin, TX

Pre-Cleaning, Re-milling, and Blanching Lines





# Roasting & Ingredients in Dublin, Texas

## Dublin, TX Dry Roasting Line





# Ingredients in Edenton, North Carolina

## Edenton, NC

Dry Roasting, Paste/Butter, Variegate, and Granulation Lines



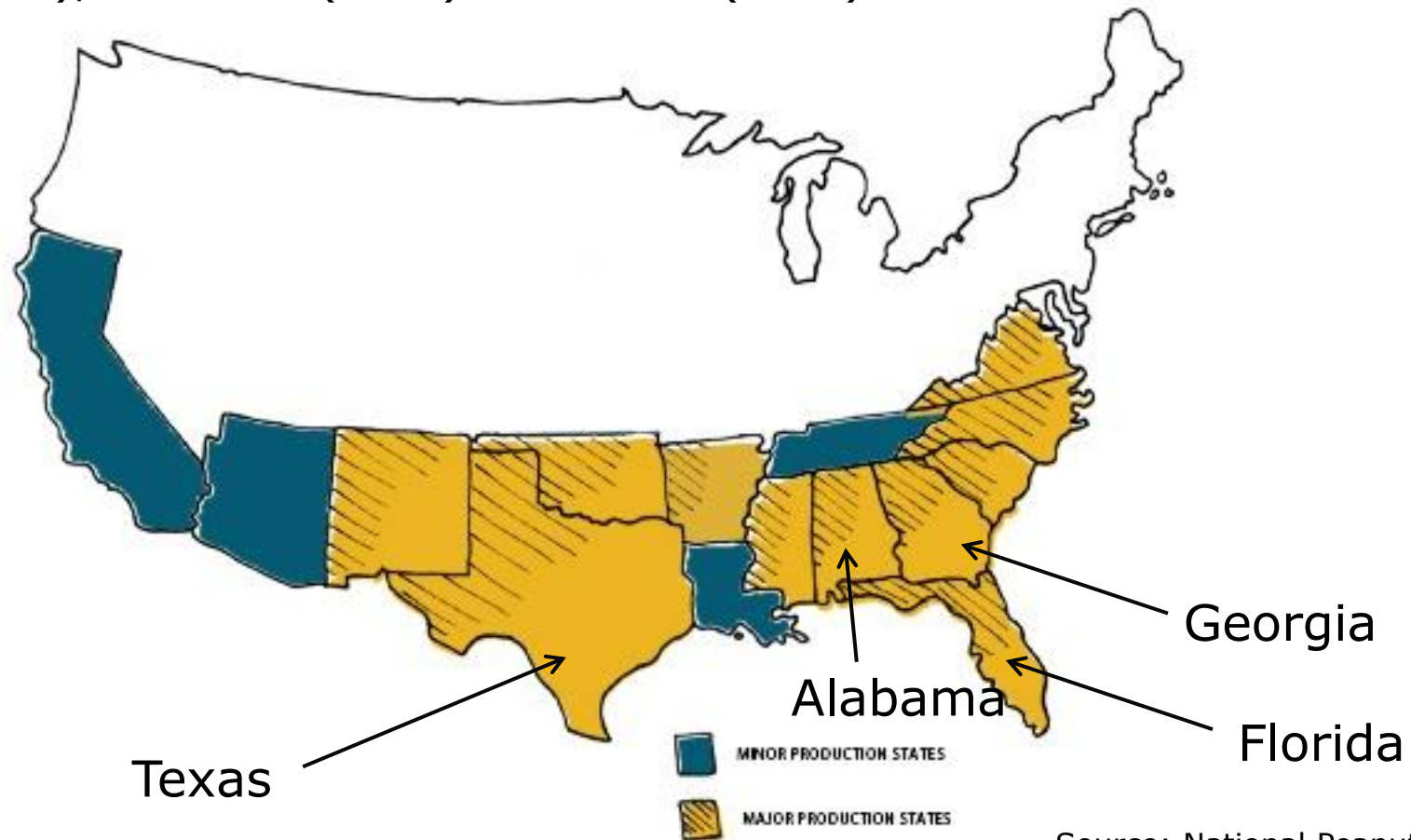


# US Peanut Industry



# US Peanuts: Key Growing Areas

- The Southeast, where MMI is located, produces 70% of USA peanuts
- Georgia is the largest state producing 45% of USA peanuts, followed by Florida (13%), Alabama (12%) and Texas (10%)

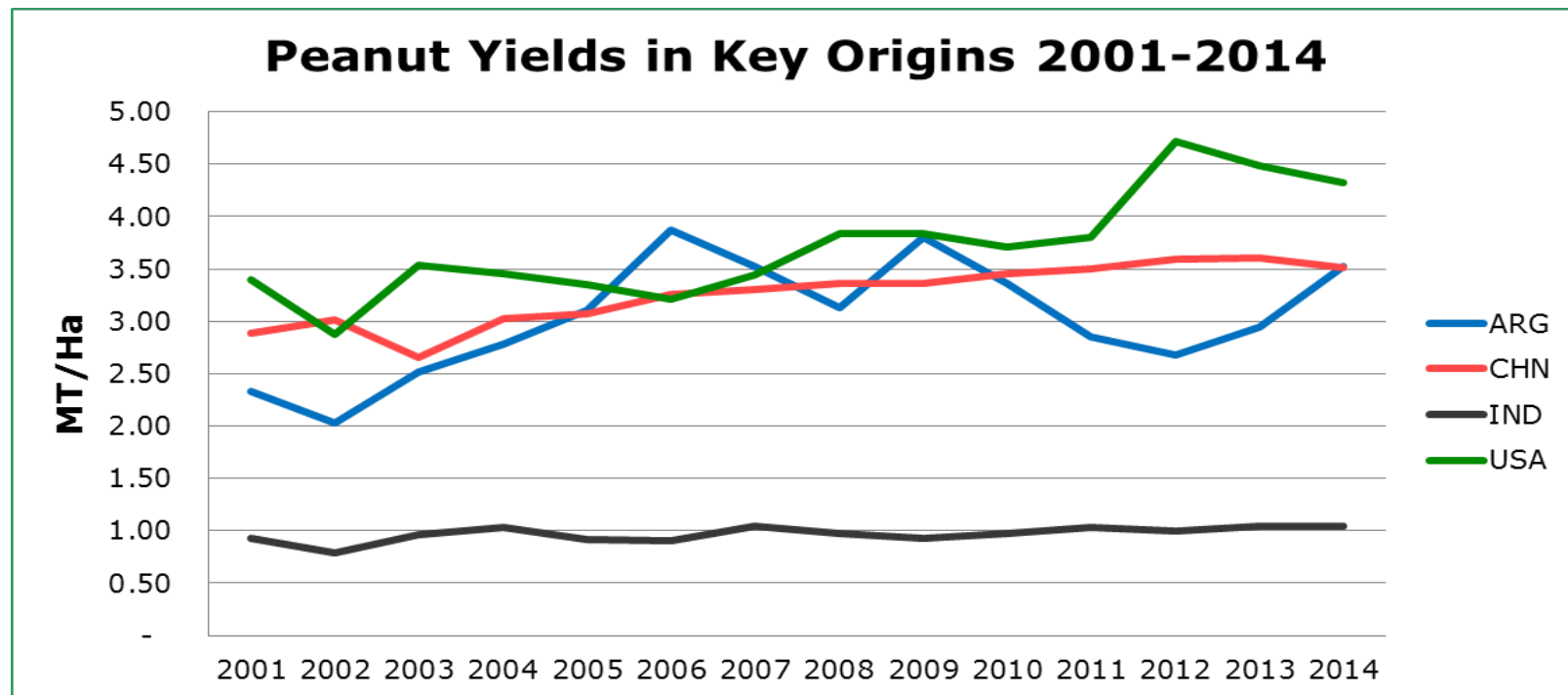


Source: National Peanut Board, USA



# US Peanuts: Lowest Cost Producer

- **Lowest cost producer** of peanuts among all key origins:
  - Advances in seed technology have led to a sharp increase in USA peanut yields in recent past in comparison to other key origins



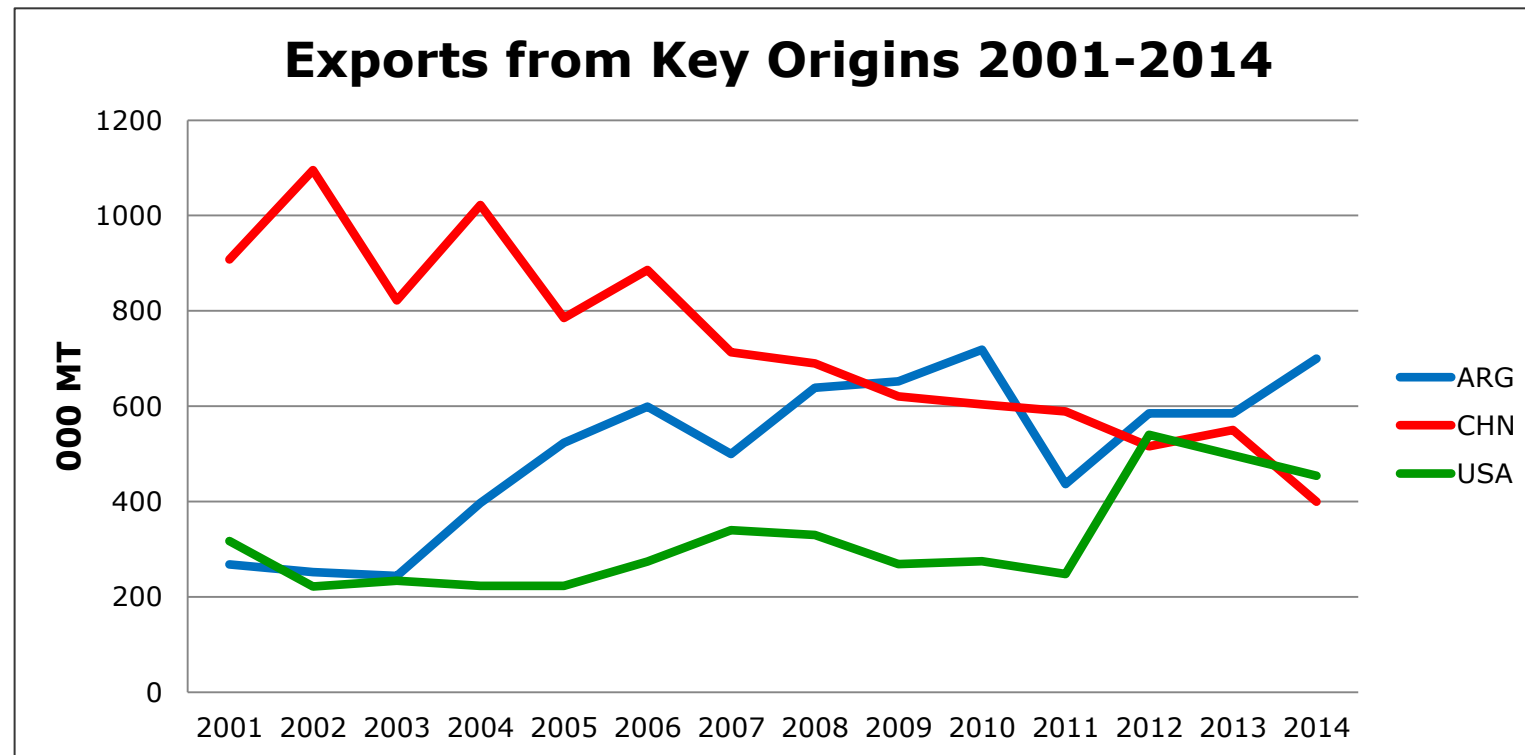
- Current US Medium Runner is priced at US\$1,200-1,250/MT CIF Rotterdam. The equivalent from Argentina, the main competing origin, is US\$1,450/MT.

# US Peanuts: Large and Growing Domestic Market

- **US is the largest market for processed peanuts**
  - Global market for processed peanuts is estimated to be 5M MT out of which the US market accounts for ~35-40% of this demand
- **Strong domestic growth potential**
  - Peanut butter, which is roughly 50-56% of peanut usage in the US, is the cheapest source of protein and is expected to grow at a **CAGR of 7.4%** between 2012 and 2017 (Source: Industry Estimates)
- **Attractive market structure**
  - Consolidated industry structure with stable and attractive margins
  - US farm bill and non-tariff import quotas
  - With increasing cost competitiveness of US peanuts, significant new growth opportunities for export to various international markets



# US Peanuts: Strong Potential for Export Growth



- US exports have increased significantly since 2011 and will continue to grow
- China is now a large importer of peanuts and USA is well-positioned to benefit from Chinese demand
- US and Argentina are the major beneficiaries of China's declining exports

# Profile of McCleskey Mills (MMI)



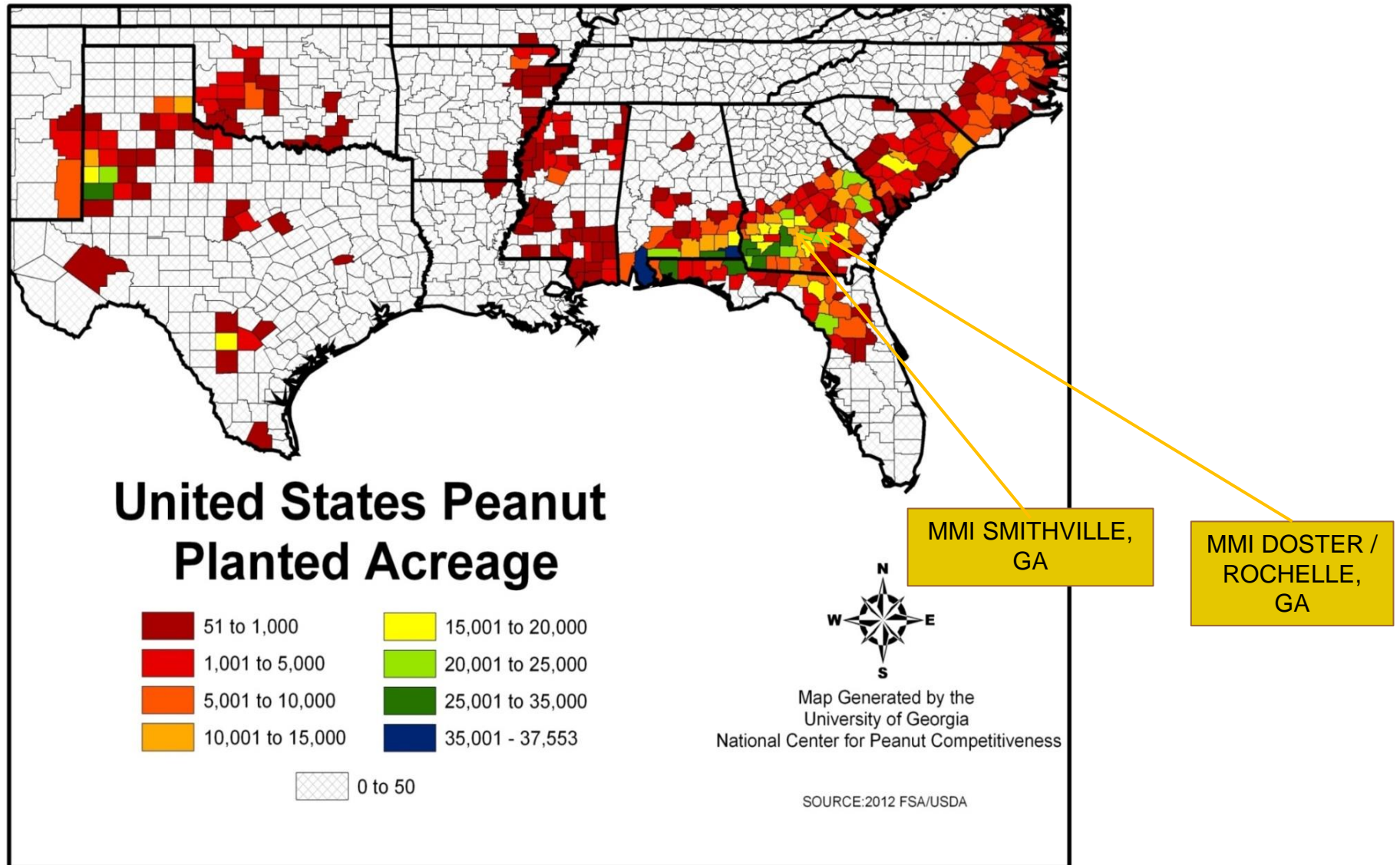
*MMI Headquarters, Smithville, Georgia*



# Profile of MMI

- MMI is the 3<sup>rd</sup> largest peanut sheller in the US with a market share of 12% and an annual average production of 250,000 farmer stock tons (FST)
- MMI has a strong customer base with years of close association with several leading branded and private label players in the US
- Owns shelling facilities in 2 locations (MMI Smithville and MMI Doster/Rochelle in Georgia) in the Southeast, which produces approx. 70% of peanuts grown in the US
- Controls 20 peanut buying points in strategic locations in the Southeast, with a loyal farmer franchise
- Owns 184,000 FST of warehousing space, a critical factor considering the peak storage requirement due to the seasonal nature of the business
- Employs approx. 150 people

# MMI's Locations in the Southeast





# MMI's Shelling Facilities



Above: MMI's Buying Point, Rochelle, GA

Below: MMI's Shelling Plant, Smithville, GA



# MMI's Shelling & Warehousing Facilities



Left: MMI's Shelling Plant,  
Rochelle, GA



Right: MMI's  
Warehouse, Rochelle,  
GA



# MMI Senior Management Team

- **Joe West**

Executive Vice President, Operations & Sales

- **Chad Chandler**

Vice President, Procurement

- **Bill Marshall**

Vice President, Seed & Projects

# Benefits of Olam-MMI Combination



*Peanut Processing, US*



# Olam-MMI: Fully Integrated Across the US Peanut Value Chain

- With MMI, Olam will backward integrate into peanut shelling in the US, which has emerged as the most competitive peanut origin
- Enables us to become the **most vertically integrated** supplier in **the US peanut industry** with strategic assets in shelling, blanching and ingredients
- Olam has **successfully integrated** and rapidly grown its US peanut blanching and ingredients business, which was acquired in 2007
- We have an **experienced team on the ground** with years of experience, knowledge and relationships in the US peanut industry, to take the **enlarged business forward**:
  - Leading custom blancher in the US with strong links with the industry
  - Leading bulk peanut ingredient manufacturer in the US with a strong reputation for quality and reliability with all major food companies

# Transforms Olam's Market Position Globally

- **Enhances our position with customers** by being:
  - The strategic **supplier of choice** for Edible Nuts with the **most diversified offering** in almonds, cashews, hazelnuts and peanuts
  - The **only global player** with sourcing and peanut shelling operations in **all key peanut origins** (US, Argentina, India and South Africa) and presence in **all main markets** (EU, US, China, India and Southeast Asia)
- Olam already has considerable expertise and **experience in peanut shelling and marketing** through our operations in Argentina, India and South Africa; through which we have built an **excellent global customer franchise**
- This transaction will not only enable Olam to **unlock the full growth potential** of MMI, but also add another layer of differentiation to our overall Edible Nuts portfolio



# Financial Impact



*Peanut Warehousing, South Africa*



# Financial Impact

- EBITDA/IC at steady state to be within Olam's target range of 13-16% for midstream processing
- Transaction valuation multiple  $\sim 6X$  EV/EBITDA (based on normalised average 3-year historical EBITDA)
- Acquisition to be funded by a combination of internal accruals and existing debt facilities
- Transaction is expected to be earnings and returns accretive from Year 1



# Summary



# Summary

- Acquisition of 3<sup>rd</sup> largest US peanut sheller at Enterprise Value of US\$176M is in line with our growth strategy of selectively investing in prioritised platforms
- This acquisition enables us to participate in the attractive shelling segment of the US peanut value chain, and become the most vertically integrated player with shelling, blanching and ingredients presence in the US
- This will transform our competitive position in peanuts and further differentiate our customer offering with presence across all major origins, integrated value chain participation and marketing reach across major consumption centres for peanuts globally
- Transaction is expected to be earnings and returns accretive from Year 1



# Thank You

