



Olam to Acquire ADM's Worldwide Cocoa Business

Creating a leading global cocoa business



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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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- ❖ Overview & Introduction
- ❖ The Cocoa Industry & Key Trends
- ❖ Olam Cocoa
- ❖ ADM Cocoa
- ❖ Olam Cocoa + ADM Cocoa: A Unique Combination
- ❖ Synergies & Integration
- ❖ Key Financials
- ❖ Q & A



Overview & Introduction

Transaction Overview

- ❖ **Olam** to acquire the **worldwide cocoa business of Archer Daniels Midland Company (“ADM”)** at an **EV of US\$1.3 Bn** on a cash and debt free basis comprising **fixed assets of US\$550 Mn** and **working capital of US\$750 Mn**, subject to closing adjustments
- ❖ The acquired business comprises carved out cocoa processing assets of ADM (excluding the industrial chocolate business), with **8 factories, 600,000 MT of processing capacity, 2 usines, 10 warehouses, the “deZaan®” “Joanes®” and “UNICAO®” brands, a global customer franchise and an experienced management team**

Strategic Rationale

- ❖ **Transformational deal for Olam Cocoa** that allows us to **become an integrated global leader** in a **prioritised platform with attractive growth prospects**
- ❖ Leverages complementary strengths of both Olam and ADM to create a unique platform that has: i) the **most extensive origination footprint** in the industry with farmgate sourcing presence in every key producing country; ii) **leading edge proprietary research** of the global cocoa markets; iii) **world class trading and risk management skills**; iv) strong cocoa **manufacturing capability** and **product development skills**; v) **strong brands** (deZaan®, Joanes® & UNICAO®) with **excellent customer franchise** (over 2,150 customers), and is vi) **one of the largest global suppliers of sustainable cocoa and cocoa products**

De Zaan®, Joanes® and “UNICAO® are Registered Trade Marks of ADM

Financial Impact

- ✦ **Valuation Multiples:** **EV / EBITDA (Historical) : 9.5x¹**
EV / EBITDA (Prospective) : 6.5x - 7.2x²
- ✦ **Earnings Accretion:** **EBITDA for the Confectionery & Beverage Ingredients segment expected to increase by 86% - 95% or US\$180 - US\$200 Mn in Year 3, compared to FY2014**
 - : **EBITDA for the overall company to increase between 20% - 22% by Year 3**
 - : **Earnings accretive from Year 1** after transaction and integration costs
 - : **Net Income and EPS** expected to grow between **25% and 30%** in **Year 3**, compared to FY2014
- ✦ **Returns Profile** : **Standalone EBITDA / IC** expected to be **16.1% to 17.9%** in **FY2018**
 - : **Confectionery & Beverage Ingredients segment EBITDA / IC** to improve by **2.0% - 2.7%** from **10.4%** in **FY2014**

Note: ¹ EV/EBITDA (historical) based 5 year average adjusted EBITDA; ² EV/EBITDA (prospective) in FY2018 after full integration

Free Cash Flow & Gearing

- ✦ **Free Cash Flow** : **FCFF negative** in year of closing, but will **turn positive** from **first full year** post consolidation, subject to commodity prices
- ✦ **Gearing** : **Gearing** expected to **increase from 1.85x** (Sept 2014) **to 2.14x** by **June FY2015**. Gearing expected to be **within plan objective** of **≤ 2.0** by **FY2016**
- ✦ **Funding** : **Transaction** to be **funded** from **cash** and existing **debt** facilities
 - : **No additional equity** expected to be **raised** to **fund this transaction**
- ✦ **Others** : **Remain focused** on **executing 2013 Strategic Plan**. **Good progress** made on **achieving total cash release** of **S\$1.5 Bn** by **FY2016**
 - : **S\$948 Mn cash** already **released** from 17 initiatives
 - : **Unlikely to undertake** any **further substantial acquisitions** in **FY2015**
 - : **Planned organic capex** in line with the Strategic Plan will however **continue**

Other Impacts

Shareholder Approval

- ❖ The Company has sought and the **SGX-ST** has **granted** to the Company a **waiver of the shareholder's approval requirement** for this transaction
- ❖ Please **see the Company's Announcement** also released today on the "**Grant of Waiver from compliance with Rule 1014 of the Listing Manual**"
- ❖ The proposed acquisition **has the support of our major shareholders**, Breedens Investments Pte Ltd and Aranda Investments Pte Ltd (both indirect wholly-owned subsidiaries of Temasek (Holdings) Private Limited)

1

Edible Nuts

“Extend leadership across edible nut categories ”

- **Almonds:** expand upstream acreage in Australia & USA but with lesser capital intensity through sale & leaseback structures
- ✓ **Peanuts:** M&A to break into US shelling market
- **Cashew:** scale up supply chain & achieve full potential in mechanical processing
- **Hazelnuts:** maintain position. Explore JV for upstream
- **Walnuts, Pistachio, Pecans:** explore entry upstream or integrated entry options

2

Confectionery & Bev Ingredients

“Be the leading confectionery and beverage ingredients supplier”

- **Coffee:** successfully execute integrated value chain strategy
- **Cocoa:** build global scale integrated position in the midstream part of the value chain through M&A
- **Dairy:** scale up the supply chain business. Invest in midstream processing in Uruguay & explore Australia/US/Europe. Turn around Russia and Uruguay upstream farming operations - evaluate exit vs. retain in 2 years.

3

Spices & Veg Ingredients

“Maintain US leadership and extend global footprint”

- **Dehydrates:** replicate and scale up dehydrated onion business outside US (Egypt, India)
- **Spices & Blends:** expand in value added processing. Invest upstream in Black Pepper Plantation in S.E. Asia
- **Tomato paste:** optimise and extract full value from existing investments

4

Olam Africa

1 *“Leverage Africa as globally competitive supply source”*

- **Plantations:** successfully execute **Palm & Rubber** upstream plantation investments in Africa; explore outgrower Palm project around nucleus plantations. Consider monetising plantation expertise by providing plantation advisory services (fee based income) in the future
- **Fertiliser:** leverage low cost feedstock to be a globally competitive urea manufacturer (de-consolidate & co-share investment risk with strategic partner)

2 *“Supply food staples/ingredients into Africa”*

- **Grains:** Expand milling capacity in Africa and enter value added adjacent products
- **Rice:** maintain leading position in Africa and integrate upstream into farming (Nigeria)

3 *“Participate in African consumer story”*

- **PFB:** Double down on Nigeria and drive to profitability in PFB; explore strategic partnership (at attractive valuation)

4 *“Participate in African Ag infrastructure”*

- **SEZ Gabon:** Invest in Port and related Ag logistics

5

Optimise

- **Natural Fibres:** focus investments, continue to grow trading capabilities
- **Sugar:** move to asset light supply chain model & trading focus
- ✓ **Wood Products:** restructure by exiting Gabon forestry & saw milling operations, reduce capital intensity and overheads

6

Commodity Financial Services

- Leverage market intelligence and risk arbitrage skills
- Maintain optionality to scale business after proof of concept

• Sale & Leaseback of Upstream Assets

• Explore setting up a Business Trust for processing assets

We are differentiated in 6 ways

1

Focus on niche commodities & niche businesses with leadership positions
(e.g. Edible Nuts, Cocoa, Coffee, Spices & Vegetable Ingredients, Dairy, Rice, Packaged Foods, Rubber & SEZ)

2

Adopt defensible niche strategies in mainstream commodity categories
(e.g. Grains - Africa Milling; Sugar - Indo Refining, India 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

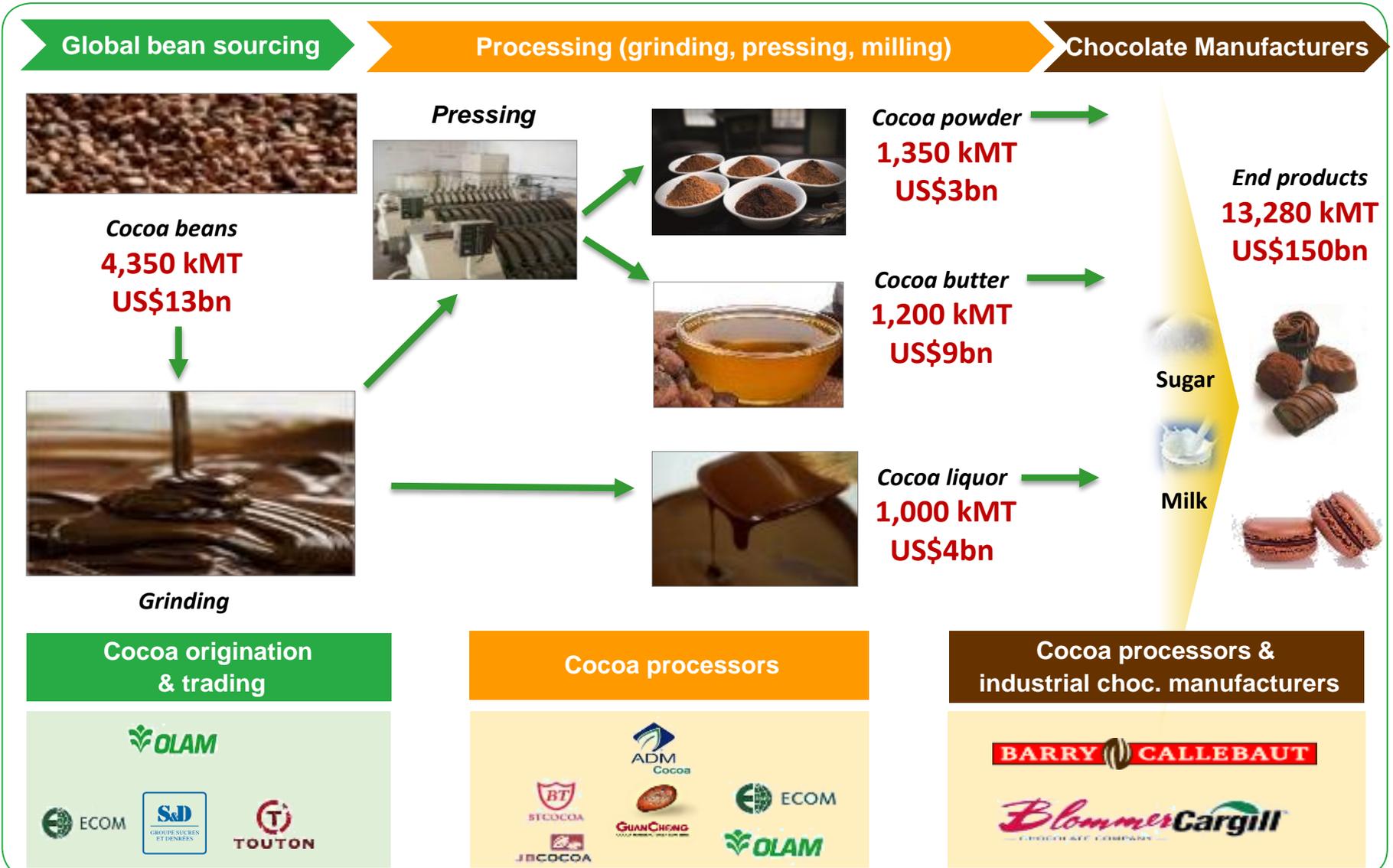
Provide value added solutions and services to customers
(traceability guarantees, sustainable and certified raw materials, vendor managed inventory solutions, risk management solutions and proprietary market intelligence)

6

Uniquely shaped portfolio - selective & diversified upstream participation across products and geographies

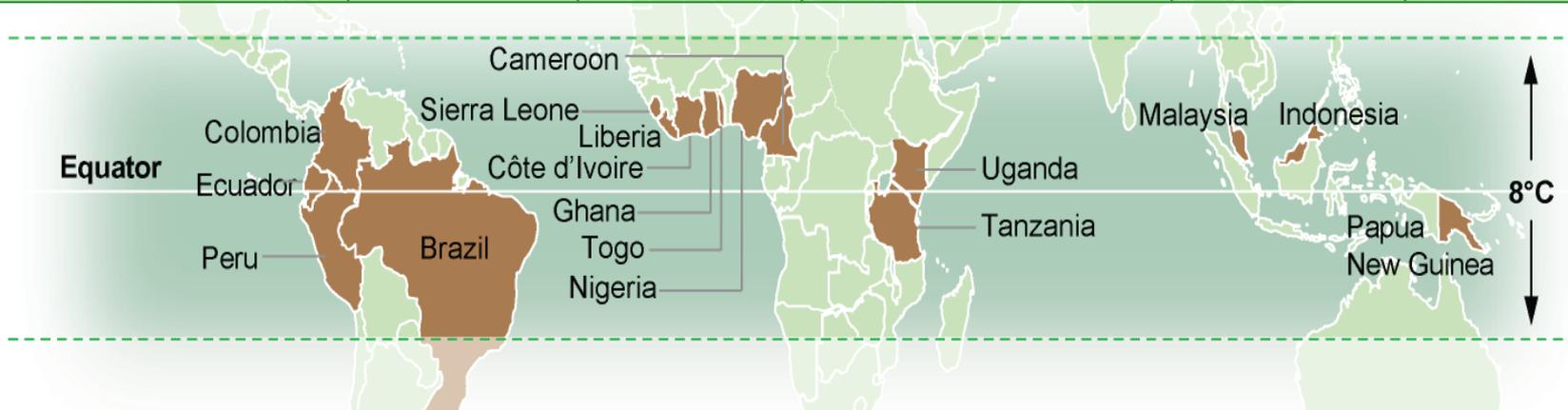
A close-up photograph of several granola bars stacked on top of each other. The bars are coated in a dark chocolate layer and topped with a generous amount of almonds and other nuts. The background is plain white.

The Cocoa Industry & Key Trends



Source: ICCO, Quarterly Bulletin (Vol. 40, No 4, 2014)

Top producer 2013/14	'000 MT	Share	Top producer 2013/14	'000 MT	Share
1. Côte d'Ivoire	1,724	40%	6. Ecuador	208	5%
2. Ghana	888	21%	7. Cameroon	208	5%
3. Indonesia	401	9%	8. Dom. Rep.	69	2%
4. Nigeria	248	6%	9. PNG	42	1%
5. Brazil	226	5%	10. RoW	309	7%

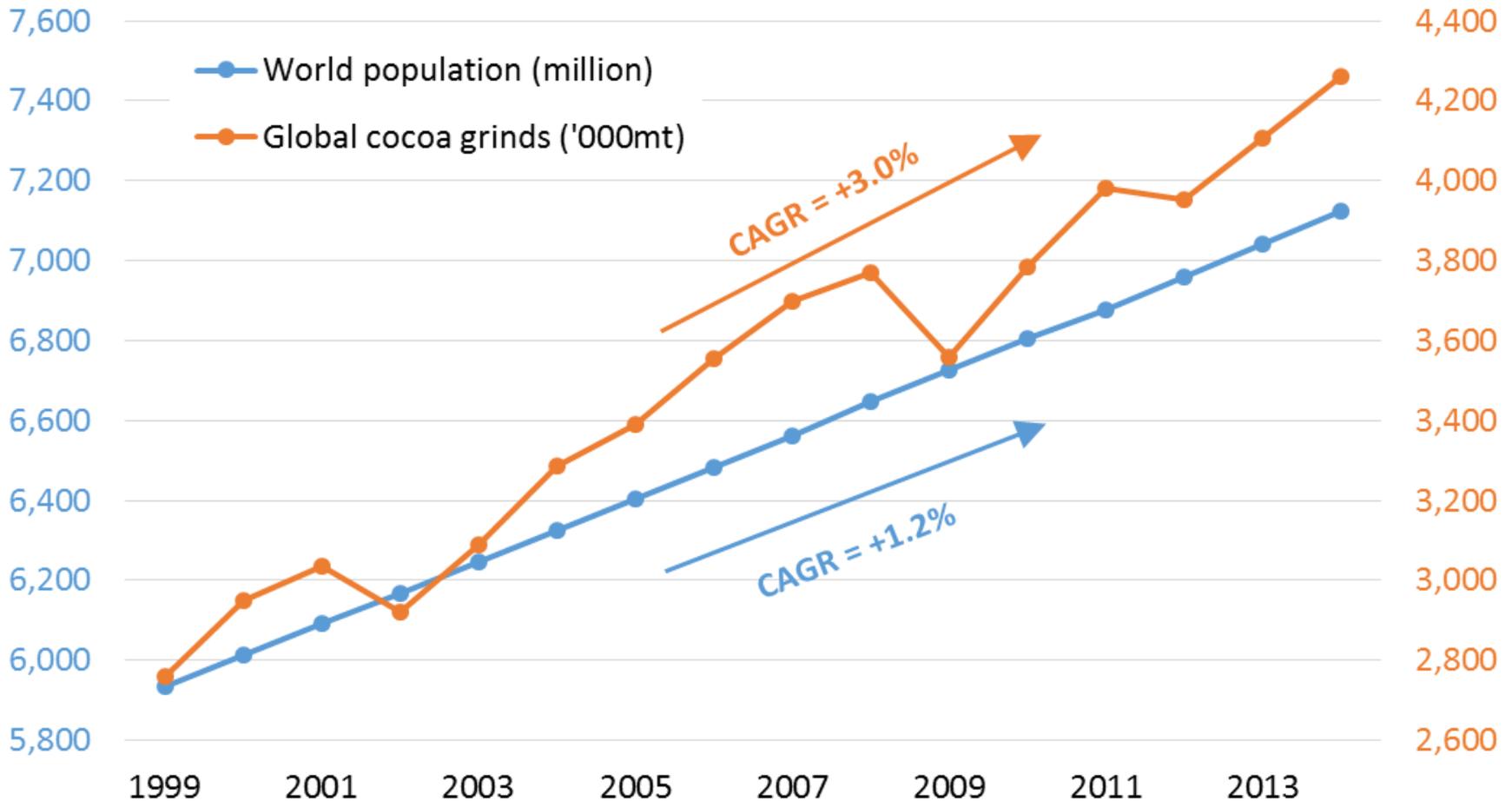


Narrow growing region

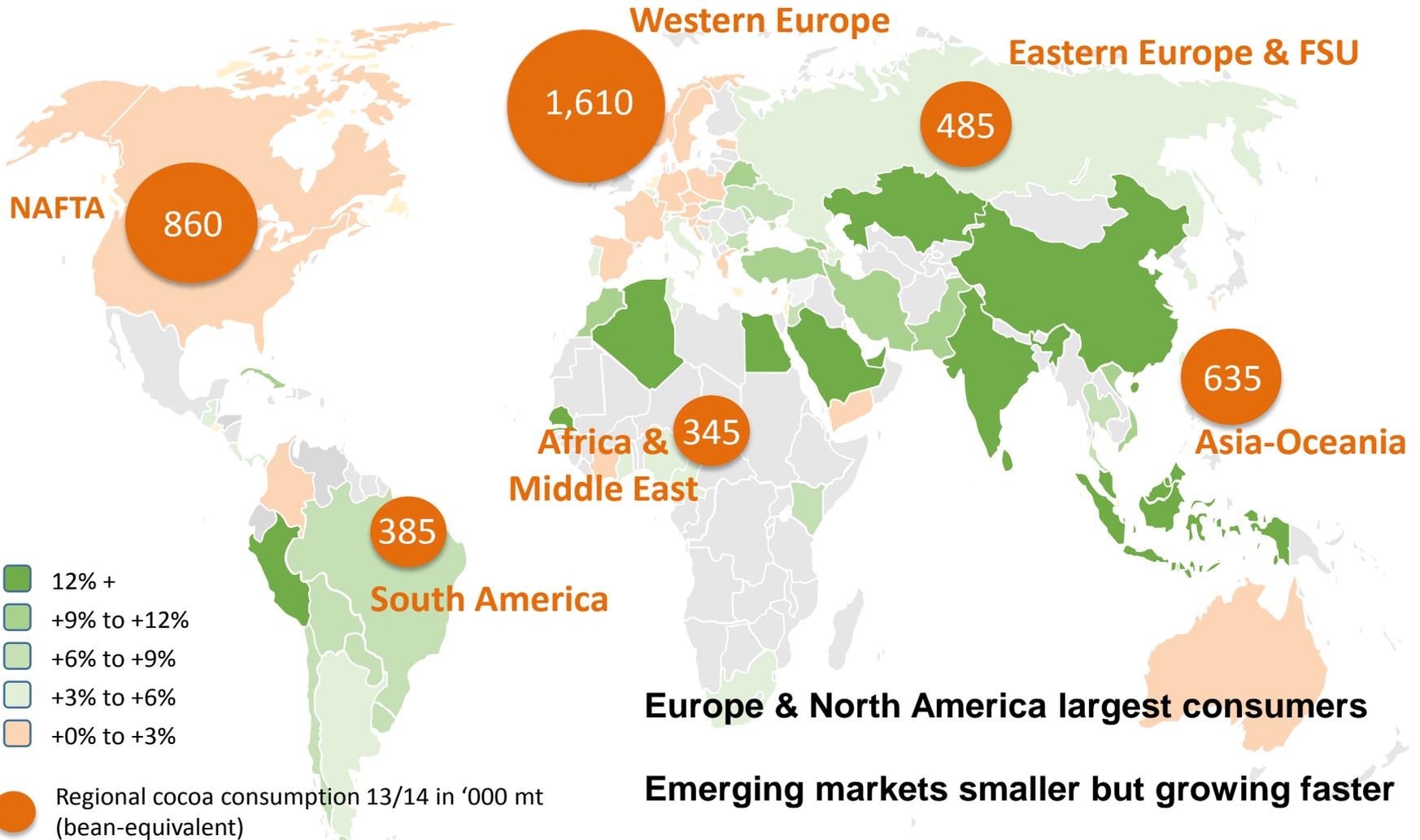
Limited availability of new growing areas other than South America

Global cocoa consumption in volume is growing much faster than world population

Cocoa consumption and Population



Sources: Olam Research, IMF

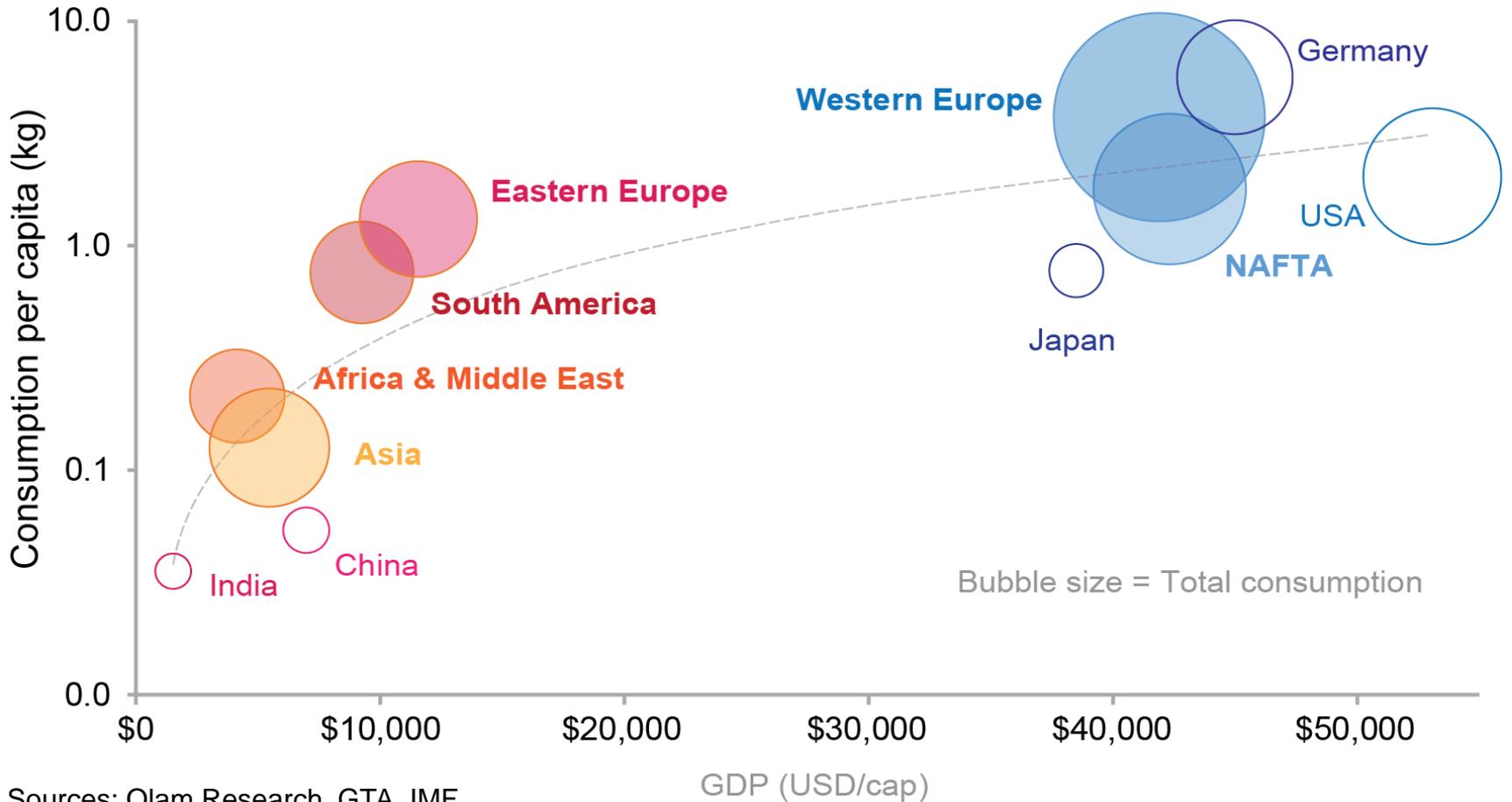


Europe & North America largest consumers

Emerging markets smaller but growing faster

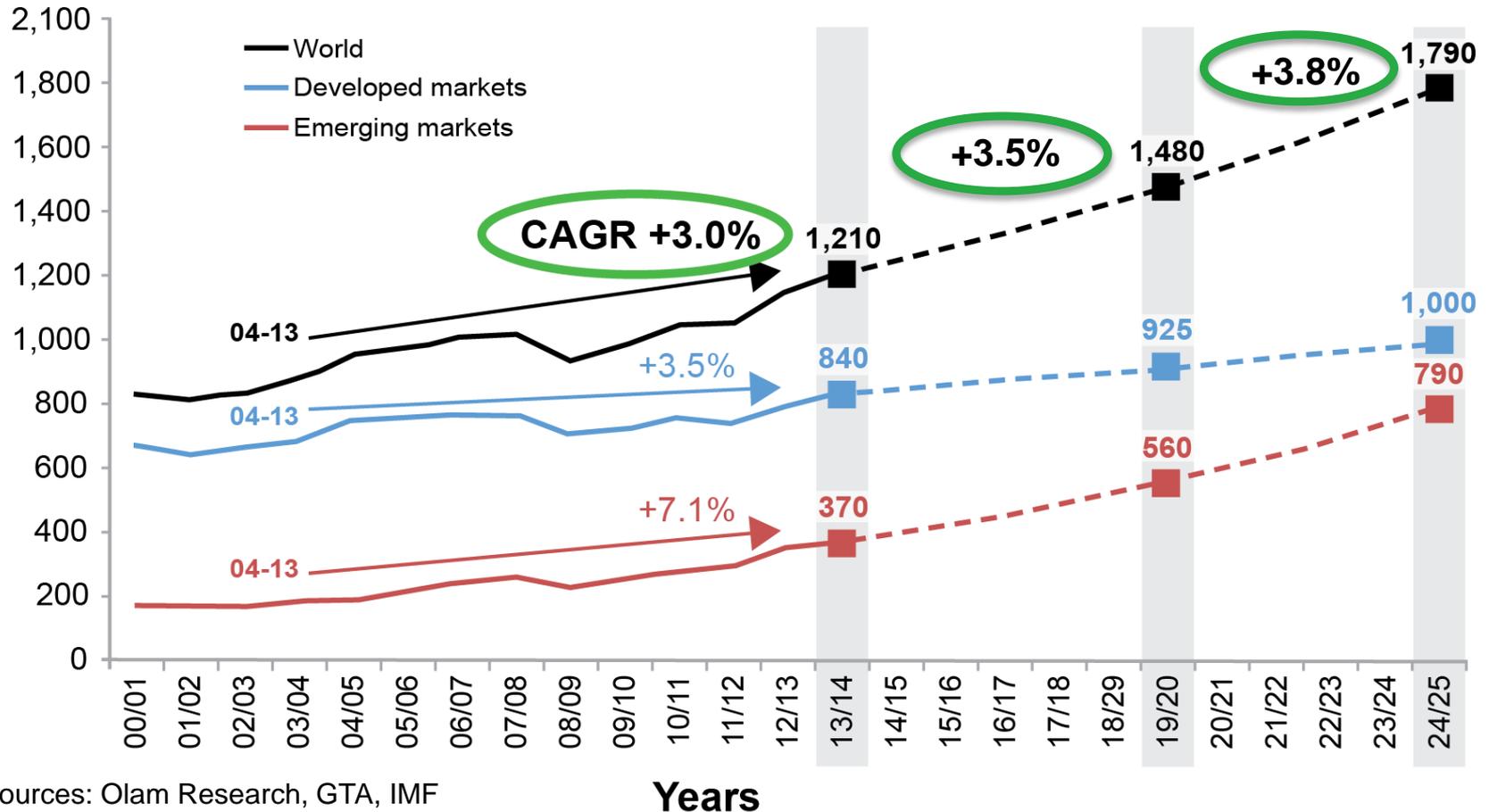
World total = 4,320,000 MT

Cocoa Consumption and GDP in 12/13



Cocoa butter consumption as an ingredient

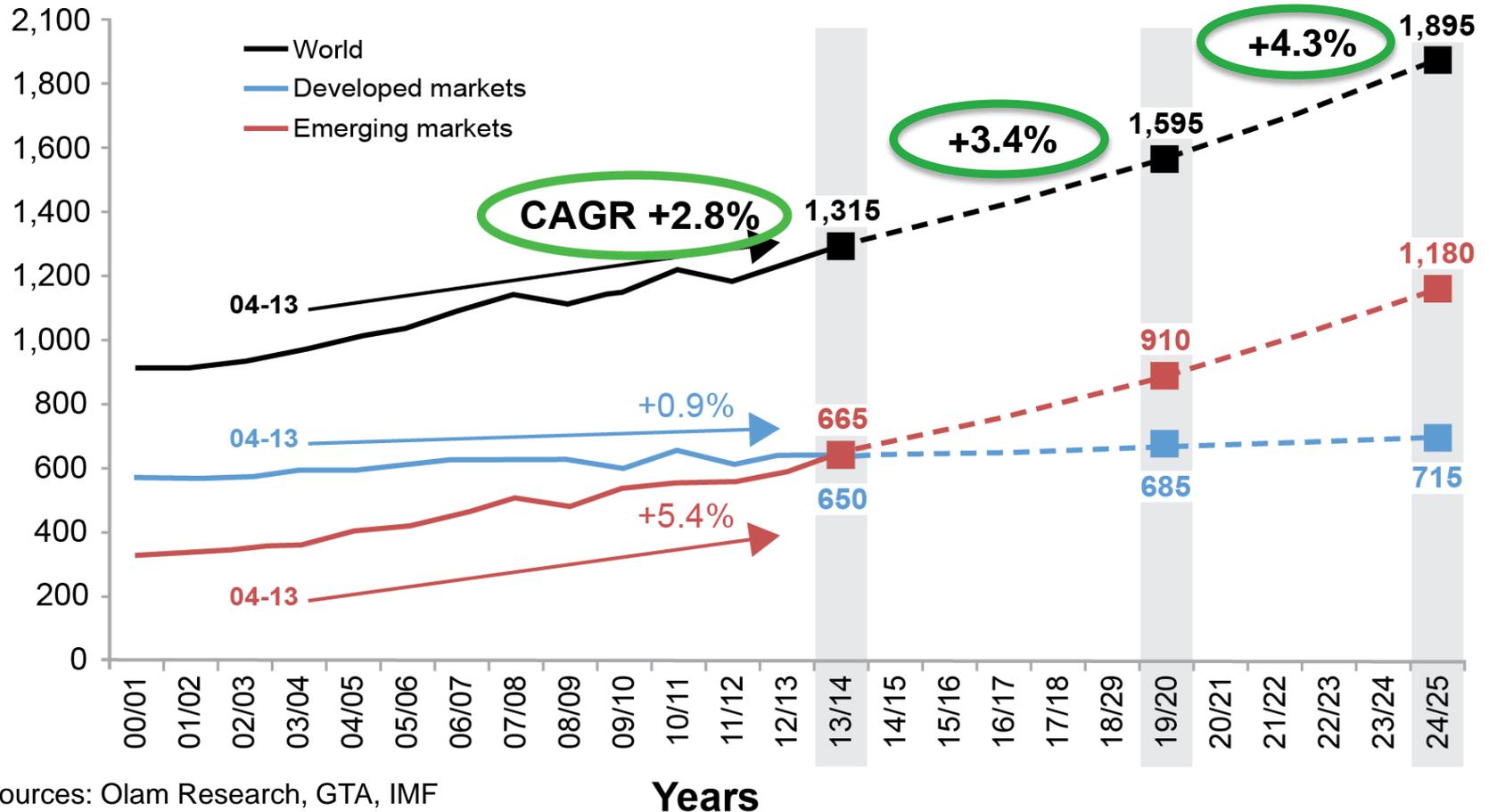
'000 MT



Sources: Olam Research, GTA, IMF

Cocoa powder consumption as an ingredient

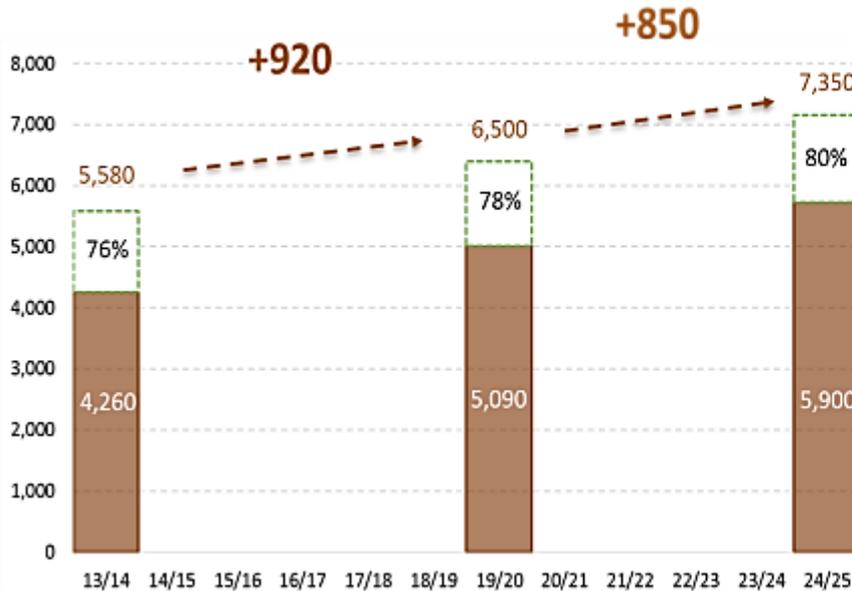
'000 MT



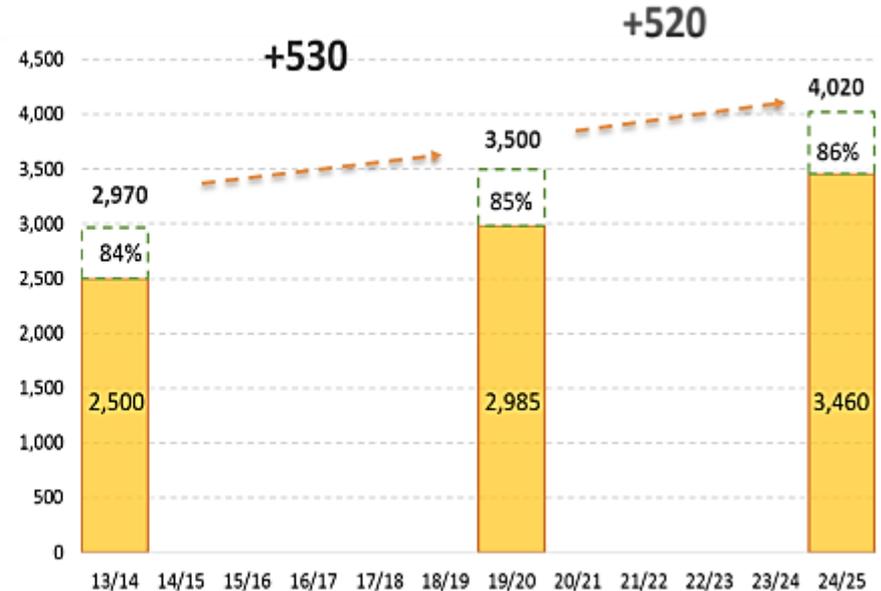
Sources: Olam Research, GTA, IMF

More global grinding capacities will be a necessity in the future with a critical need for pressing capacity

Grindings ('000 MT of Beans)



Pressings ('000 MT of Liquor)



If global cocoa consumption continues growing at +3.0% CAGR, 920,000 MT additional capacity will be needed by 2020 (+16%) and another 850,000 MT by 2025 (+13%)

As pressing capacities are tighter, 530,000 MT additional will be needed by 2020 (+18%) and another 520,000 MT by 2025 (+15%)

Olam Cocoa



Olam Cocoa: Existing configuration of assets & capabilities



- ❖ **World class origination: #1** in cocoa bean sourcing and exporting, present in all major origins except Brazil. Most extensive footprint across key origins
- ❖ **Leading global supplier** of cocoa beans and cocoa products
- ❖ **Privileged customer relationships** with tailored supply chain solutions (traceability, certification & vendor managed inventory solutions)
- ❖ Best in class **crop forecasting** and **proprietary research**
- ❖ World class **trading and risk management skills**
- ❖ **Growing cocoa processing footprint** - OCP Côte d'Ivoire; Coop Nigeria; OFI UK & OFI Spain
- ❖ Recent entry into an **upstream plantation** (Indonesia)
- ❖ **One of the world's leading suppliers** of **sustainable cocoa**
- ❖ Over **300 years** of combined senior management experience in cocoa

Smallholders backbone of industry:
lack of investment means low yields

125 dedicated cocoa sustainability employees



Support and train smallholders

Over 100,000 cocoa farmers through Olam Livelihood Charter (OLC) and CocoaAction



Mitigate climate change impacts through landscape approach

World's first climate-smart cocoa with Rainforest Alliance



Improve labour practices

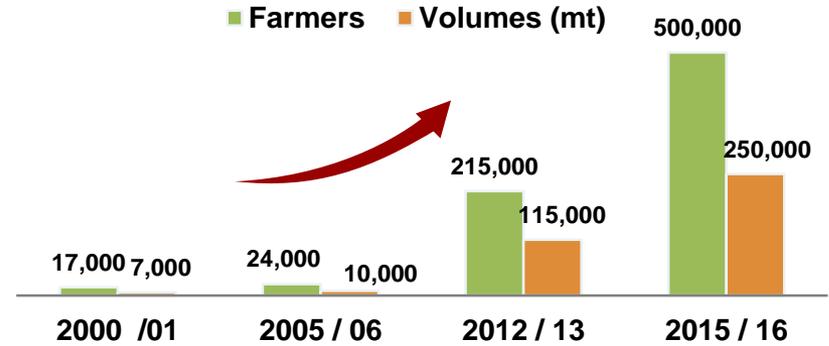
Through OLC and membership of Fair Labour Association



Support thriving communities

Through OLC and CocoaAction

Sustainable / Certified

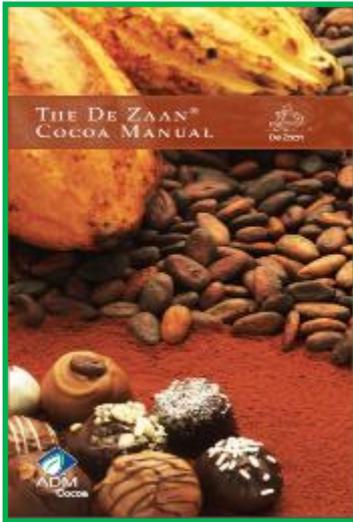


One of the largest suppliers of sustainable cocoa

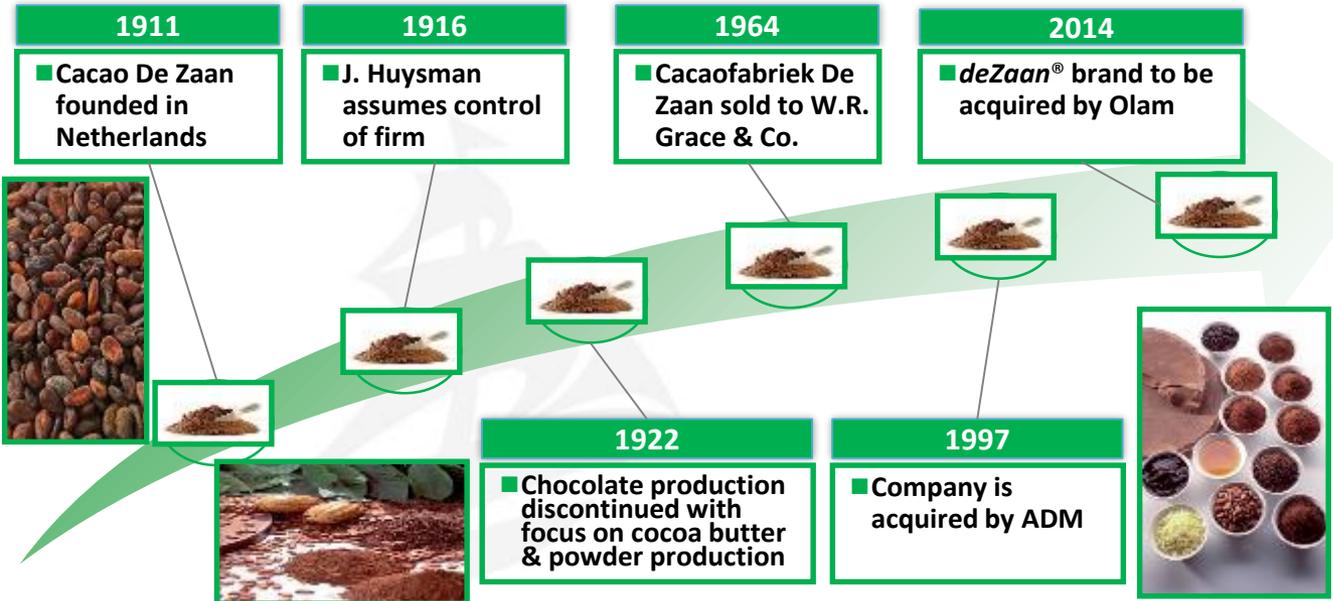
ADM Cocoa



Premium branding and value-add with iconic deZaan® brand



1st edition published in 1969



deZaan® values

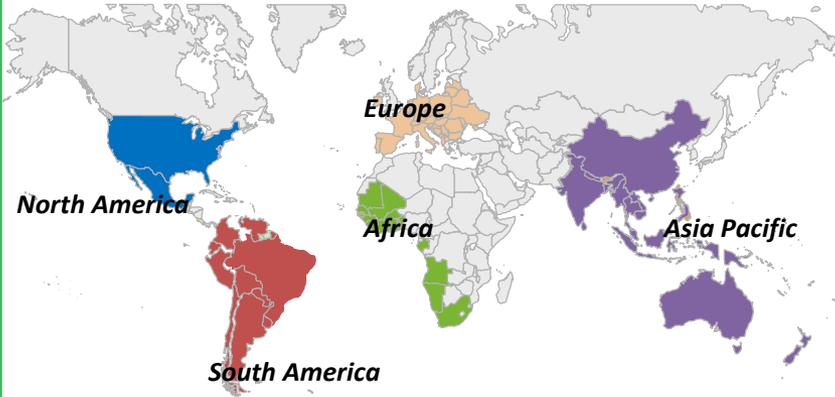
- Authentic lines of inspiration
- "Best in class" quality
- Ease of use
- Excellent price-quality ratio

deZaan® products

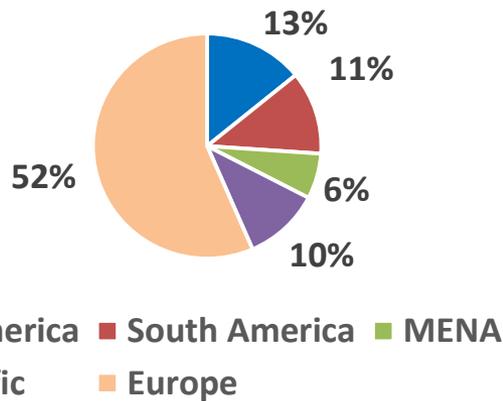
- deZaan*® Premium Cocoa Powders
- deZaan*® Premium Cocoa Liquors
- deZaan*® Premium Cocoa Butter

More than one hundred years of tradition and excellence in cocoa products

Global base...



..significantly diversified across key markets..



Over 2,150 customers in more than 90 countries

..“blue chip” customers in the cocoa industry





Olam Cocoa + ADM Cocoa:
A unique combination

Transformational acquisition to create a world leading integrated cocoa business



- ❖ **Gain** global processing footprint in Europe, North America, South America, Asia and Africa
- ❖ **Gain** cocoa processing capacity **600,000 MT** from **8** processing facilities; **2** usines and **10** warehouses
- ❖ **Gain 2,150+ established customers** (including blue chip companies and global retailers) through the focused supply of semi-finished cocoa products (liquor, powder and butter)
- ❖ **Gain** iconic deZaan® brand with over 100 years of excellence, as well as UNICAO® and Joanes® brands

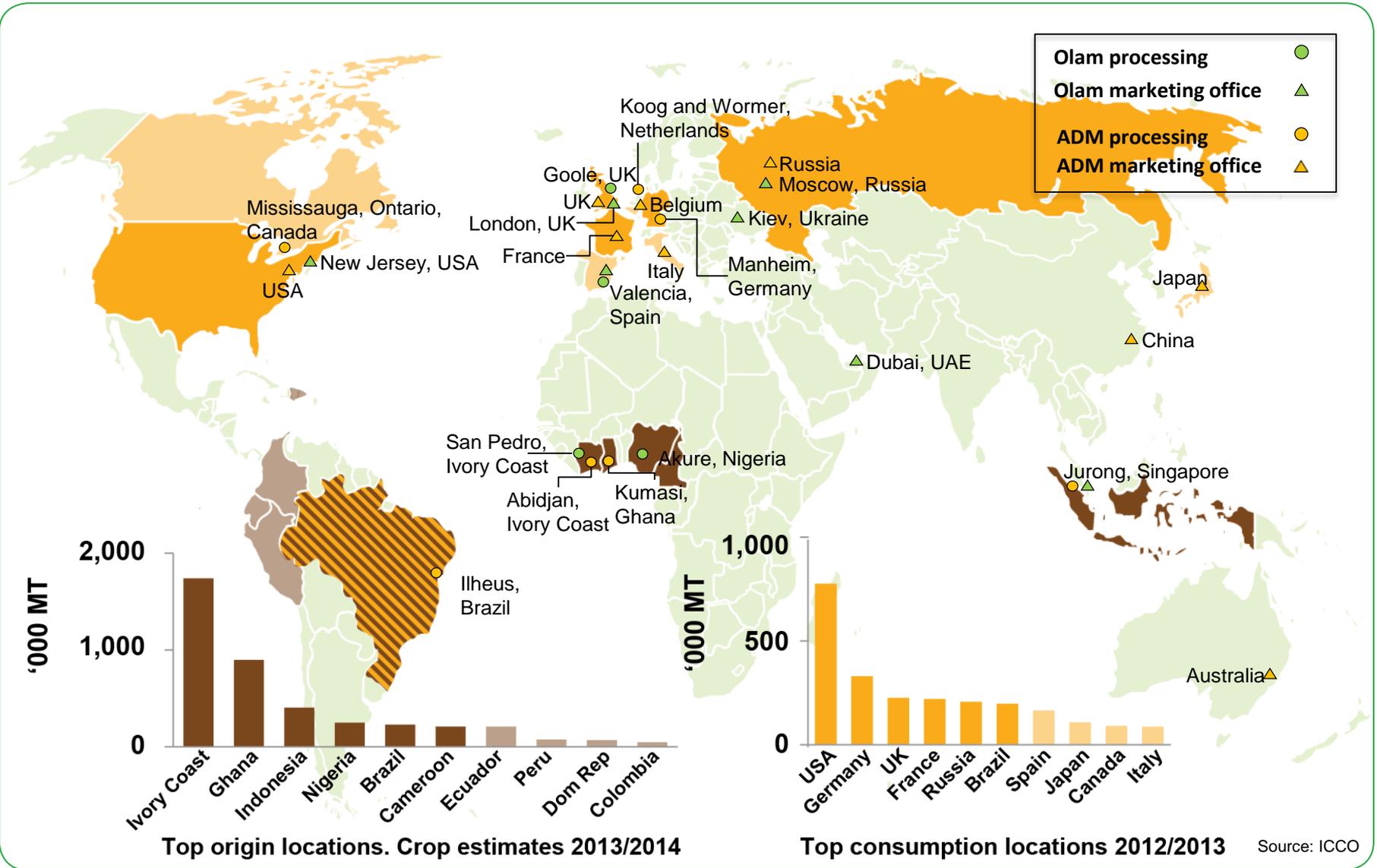
Transformational acquisition to create a world leading integrated cocoa business



Jurong, Singapore

- ✦ **Gain** world's leading supplier of premium cocoa powders with over 30 prime powder types, unique product development capabilities and ability for customisation
- ✦ **Gain over 1,500 employees** with industry-leading processing expertise
- ✦ **Gain 4 innovation centres** with over **30 R&D professionals** for all types of **cocoa product applications** from bakery, dairy & confections to cereals, snacks and desserts
- ✦ **Gain wide network of marketing offices** in **16 countries** across all major consuming markets
- ✦ **Integrate** the businesses to enable **run-rate synergy** potential of **US\$35-40 Mn** to be realised by **Year 2**

Combined portfolio provides global processing and marketing reach



Olam Cocoa

- **World class origination: #1** in cocoa bean sourcing and exporting from all key origins
- Best in class **crop forecasting** and **proprietary research**
- World class **trading and risk management skills**
- **Privileged customer relationships** with tailored supply chain solutions (traceability, certification & vendor managed inventory)
- Successful entry into **cocoa processing**
- **One of world's leading suppliers of sustainable cocoa**

ADM Cocoa

- **World's leading cocoa products brand - deZaan®.** Strong brand & customer franchise
- Unique **product development** and **R&D capabilities. 4 innovation centres** with over **30 R&D professionals**
- **Extensive global processing footprint** in Europe, North America, South America, Asia & Africa with processing capacity 600,000 MT from 8 facilities, 2 usines & 10 warehouses
- Wide **network of marketing offices** in **16 countries** across all major consuming markets

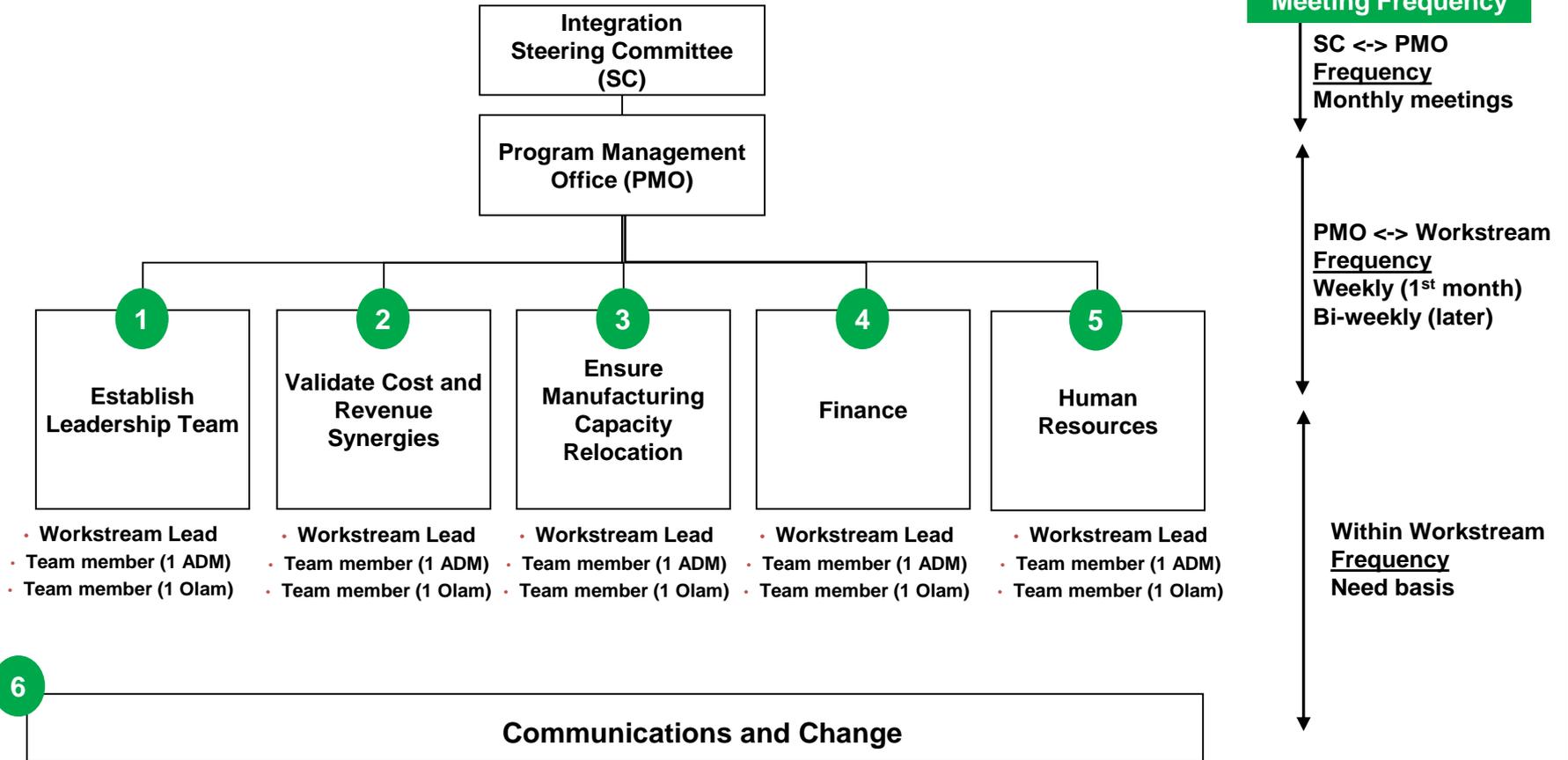
Olam + ADM

- **Market leading** and **globally integrated** cocoa business
- **#1 cocoa origination**
- **Top 3 global cocoa processor** approx. 700,000MT plus powder milling, blending and refining of butter and liquor
- **Premium cocoa products brands** and **strong customer franchise**
- **Global customer portfolio**
- **World class R&D** and product development capability
- **Global trading** and **risk management expertise**
- **Full supply chain solutions** for enhanced security of supply, traceability & food safety
- **A world leader** in **sustainable cocoa**
- **Scale benefits** across **entire value chain**



Synergies & Integration

Integration Planning Governance Structure



Cost
US\$23 Mn

- ✿ Procurement overlap
- ✿ Usinage overlap
- ✿ Logistics management
- ✿ Warehousing reduction costs
- ✿ Working capital optimisation

Revenue
US\$18 Mn

- ✿ Improved trading & risk management
- ✿ deZaan® brand value
- ✿ Additional procurement
- ✿ Supply chain efficiencies
- ✿ Sustainability initiatives
- ✿ Expansion of origination

Estimated total synergies by Year 2

- ✿ **US\$35 Mn - US\$40 Mn**

A close-up photograph of a glass filled with chocolate milk. The milk is a rich, dark brown color. On top of the milk, there is a decorative swirl of white cream. The glass is made of clear glass and has a thick base. In the foreground, a silver spoon is visible, slightly out of focus. The background is a light, neutral color.

Key Financials

- ❖ **Transaction is expected to close between April to June 2015** with **FY2016** being the **first full year** post closing
- ❖ **Full integration is expected to take up to 2 years** post closing
- ❖ There would be a **one-off transaction cost** of approximately **US\$12 Mn** in FY2015. We are likely to incur **one-time integration costs** of approximately **US\$17 Mn** in FY2016 and FY2017
- ❖ The **acquired business will reach steady state** from **FY2018**

Historical pro-forma EBITDA

- ❖ The acquired business was carved out of the cocoa division of ADM after excluding the sale of the industrial chocolate division
- ❖ The pro-forma average **adjusted EBITDA** of the acquired business for the last 5 years was **US\$137 Mn**
- ❖ This translates to a historical transaction **EV/EBITDA multiple of 9.5x**

EBITDA forecast

- ❖ The **FY2018 EBITDA** for the acquired business is expected to be **~US\$180 Mn - US\$200 Mn**
- ❖ This includes **expected synergies** of between **US\$35 Mn - 40 Mn**

Existing group EBITDA could be enhanced by ~20%-22%

US\$ Million	FY2014	ADM Cocoa (FY18)	Combined	% Growth
Segmental Impact (Confectionery & Beverage Ingredients segment)	210	180-200	390-410	86-95%
Value Chain Impact (Midstream)	268	180-200	448-468	67-75%
Consolidated Company Impact	892	180-200	1,075-1,092	20-22%

The transaction could enhance EPS by ~25%-30% (assuming no dilution)

- Post-integration, we **expect a reduction** in average **working capital** of **US\$150M** by **FY2017**
- The **stand-alone returns** (EBITDA / IC) for this transaction will be **above** our midstream segment range of **13%-16%** by **FY2018**

EBITDA /Avg. Invested Capital	FY2014	ADM Cocoa (FY18)	Combined	% Change
Segmental Impact (Confectionery & Beverage Ingredients segment)	10.4%	16.1%-17.9%	12.5%-13.1%	+ 2.0%-2.7%
Value Chain Impact (Midstream)	10.2%	16.1%-17.9%	11.9%-12.5%	+ 1.8%-2.3%
Consolidated Company Impact	10.5%	16.1%-17.9%	11.1%-11.3%	+ 0.6%-0.9%

Pro-forma gearing

- ❖ Pro-forma **gearing** to **increase from 1.85x** (September 2014) to **2.14x** by June 2015 (assuming no further divestments and addition to equity)
- ❖ **Gearing** will be **within** our **FY2016 strategic plan objective of $\leq 2.0x$** , even assuming earnings remain flat at FY2014 levels

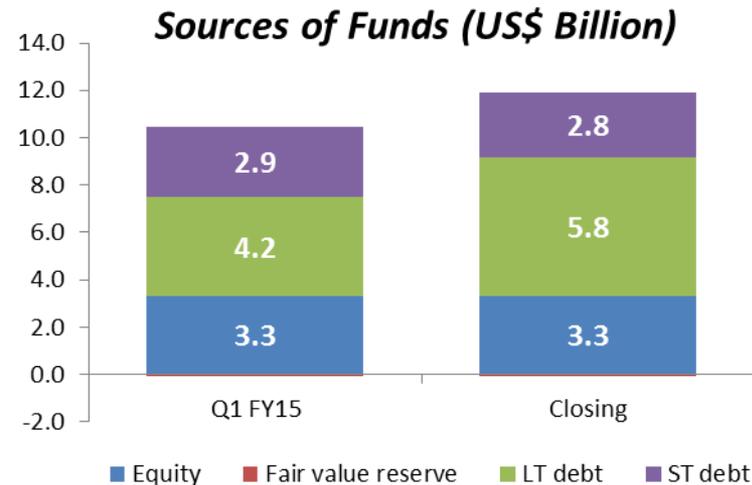
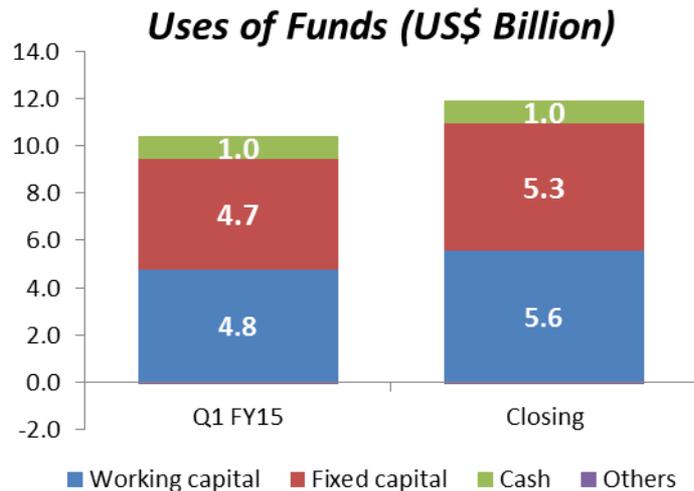
	At closing	FY2015	FY 2016
Gearing (x)	2.30	2.14	2.00

- ❖ We expect to be **within our gearing objective**, even assuming **no growth in earnings** in both FY2015 & FY2016 from the current business, impact of strategic plan initiatives and the acquisitions of McCleskey Mills Inc. and ADM's cocoa business

Impact on cash flow

- ❖ **Free cash flow** for **FY2015** is **likely to be negative on account of** acquisition of **McCleskey Mills Inc.** and **ADM's** cocoa business
- ❖ However, given the **earnings power** of the **two acquisitions**, we **expect to generate positive free cash flow for FY2016**, subject to commodity prices

- ❖ The **pro-forma balance sheet includes** the **acquisition of McCleskey Mills Inc.** for **US\$176 Mn** (fixed assets of US\$136 Mn & working capital of US\$40 Mn) and **ADM Cocoa** for **US\$1,300 Mn** (fixed assets of US\$550 Mn and working capital of ~US\$750 Mn)
- ❖ **Both transactions can be funded by available cash balances (~US\$1.0 Bn) and existing debt facilities (~US\$4.8 Bn)**



- ❖ Proportion of working capital financed from long-term sources will move to 56% post these transactions (compared to 39% as at September 2014) on account of re-financing already concluded. We **will continue to optimise** our **debt mix** going forward
- ❖ We are **unlikely to undertake** any **further substantial acquisitions** in **FY2015**. **Organic capex** will continue as envisaged in our strategic plan

A rustic wooden bowl filled with a dark brown, finely ground powder, likely cocoa or coffee. A wooden spoon, also containing the powder, is positioned above the bowl. The scene is set on a weathered wooden surface with prominent grain patterns. A semi-transparent dark grey banner is overlaid across the middle of the image, containing the text "Key takeaways" in white.

Key takeaways

- ❖ Potential to become a **global leader in a prioritised platform** with attractive growth prospects
- ❖ Transaction will be **earnings, returns and cash flow accretive** in the first full year post closing (FY2016)
- ❖ **Significant additional contribution to absolute earnings and returns** from FY2018 onwards
- ❖ Leverages complementary strengths of both Olam and ADM to create a unique platform

A 3D rendered image of a chocolate splash. The chocolate is dark brown and glossy, splashing upwards from a central point. The splash forms several teardrop-shaped droplets that are still attached to the main body of the splash. Below the splash, the surface of the chocolate is disturbed, creating concentric ripples that spread outwards. The lighting is soft, highlighting the smooth texture and sheen of the chocolate. A semi-transparent dark brown rectangular box is overlaid on the left side of the image, containing the text 'Q & A' in white.

Q & A



Appendix

