

Olam International Limited

Q1 2015 Results Briefing

15 May 2015 | Singapore



This presentation should be read in conjunction with Olam International Limited's Quarter and Nine Months ended 31 March 2015 (Q1 2015 & 9M FY2015 respectively) Financial Results statement and Management's Discussion and Analysis lodged on SGXNET on 15 May 2015

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 Quarter and Nine Months Ended 31 March 2015 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.

The Company had announced a fiscal year-end change from June 30 to December 31

With this change, the Company's current fiscal year, which began on July 1, 2014 will end on December 31, 2015. Thereafter, the Company will follow a January to December fiscal year

The numbers presented and analysed in this presentation are for the first quarter ended March 31, 2015 of the new fiscal year (January 1, 2015 to December 31, 2015) referred to as "Q1 2015" and are compared to the prior corresponding quarter ended 31 March 2014 ("Q1 2014")

- ❖ Highlights – Q1 2015
- ❖ Financial Performance
- ❖ Key Takeaways

Olam's palm nursery in Gabon



- ❖ **Strong underlying performance across most platforms with Operational PATMI up by 25.7% to S\$128.5 mn**
 - ❖ **EBITDA growth** across all segments except the Food Staples & Packaged Foods segment
 - ❖ **Estimated net adverse impact of ~S\$12.0 mn** due to the **continuing currency devaluation**, particularly in our imports and domestic distribution businesses
 - ❖ **Reported PATMI** declined 92.1% on account of a net exceptional loss of S\$97.2 mn (bond buyback) vis-à-vis a net exceptional gain of S\$293.9 mn in Q1 2014
- ❖ **Balance sheet and Cash Flow**
 - ❖ Generated **positive free cash flow to firm of S\$120.2 mn** (Q1 2014: negative S\$424.8 mn)
 - ❖ **Net gearing of 1.83x** at March 31, 2015 was **lower than 2.03x** as at March 31, 2014 and **in line with our 2016 objective** of operating at or below 2.0x

Financing

-  Continued **reduction in net finance** costs (excluding charge on bond buyback): S\$123.2 mn in Q1 2015 (Q1 2014: S\$141.2 mn)
-  **One time charge of S\$97.7 mn** on buy back of **6.75% bonds** due 2018. We expect **interest savings of ~S\$55.0 mn to S\$60.0 mn** per annum for the three years based on the remaining life of the bonds
-  Issued **US\$50.0 million** 5 year Senior Notes due 2020 in a private placement to an institutional investor in Japan at a **fixed coupon of 4.00%**, followed by **A\$150 mn of 5 year Senior Unsecured Notes due 2020** at a USD equivalent coupon of **3.975% per annum**. Subsequently issued **additional A\$30.0 mn** notes at a USD equivalent coupon of **3.60% per annum**



Progress on strategic initiatives



20 completed initiatives since April 2013 have released **cash of S\$966.1 mn** (against 2016 target of S\$1.5 bn), generated a **P&L gain of S\$125.2 mn** and added **S\$154.2 mn directly to our capital reserves**



Completed sale of 25.0% stake in the **Packaged Foods** business to Sanyo Foods; received cash of **US\$167.5 mn** (S\$219.1 mn) and generated capital gain of **S\$106.2 mn**



Completed acquisition of **McCleskey Mills Inc. (MMI)**, at an **EV of US\$175.0 mn**



Closure of **ADM Cocoa** acquisition currently expected by the **end of Q3 2015**



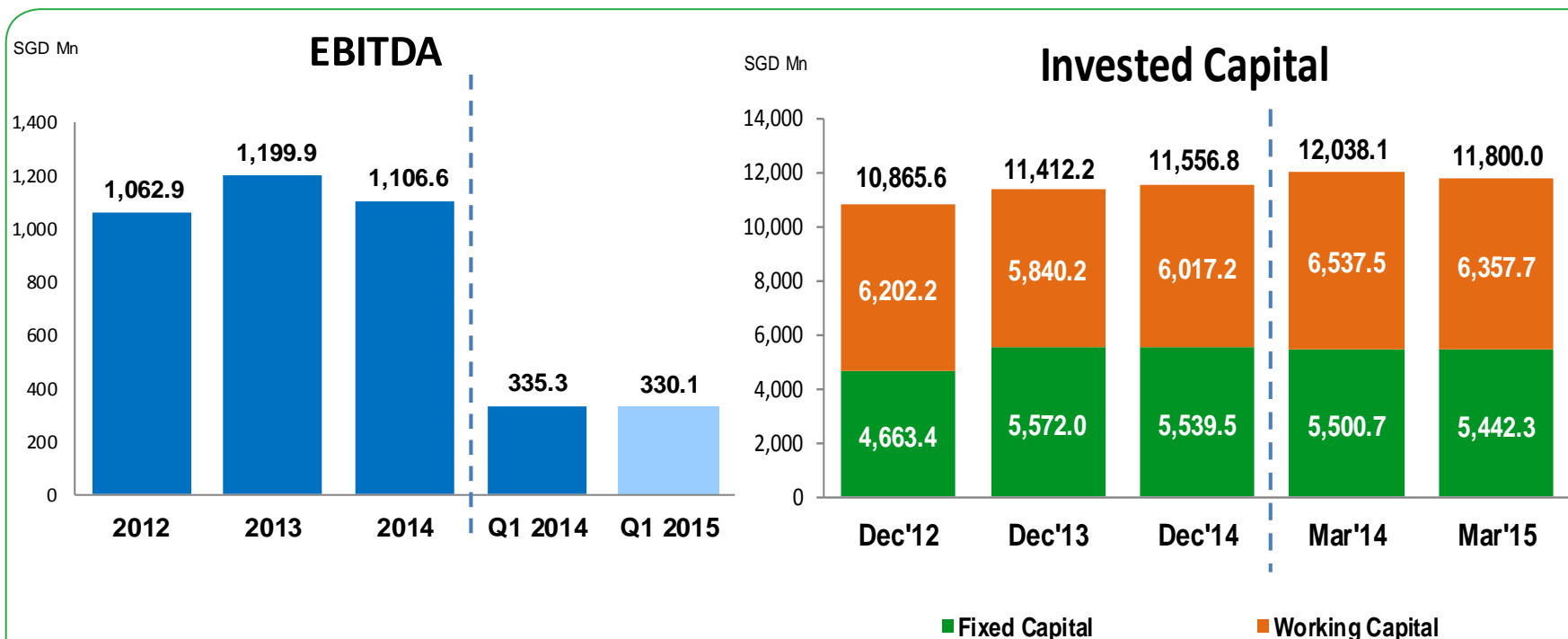
Onion harvesting in USA

SGD Mn

	Q1 2015	Q1 2014	% Change
Volume ('000 MT)	2,682.8	4,018.0	(33.2)
Revenue	4,321.1	4,836.4	(10.7)
EBITDA	330.1	335.3	(1.5)
PAT	27.6	392.9	(93.0)
PATMI	31.3	396.1	(92.1)
Operational PATMI	128.5	102.2	25.7

- **Operational PATMI** up by 25.7% while Reported **PATMI** down 92.1% due to exceptional items
- Decline in **overall sales volume** mainly due to discontinued / restructured lower margin businesses
- **Strong underlying growth** across all segments with the exception of Food Staples & Packaged Foods. Overall **EBITDA was marginally lower** than Q1 2014
- Q1 2015 recorded a **net operational loss** on **fair valuation of biological assets** of **S\$14.7 mn** compared to a **loss of S\$8.7 mn** in Q1 2014
- **Tax expenses, Net finance costs and Depreciation & Amortisation** were all lower than Q1 2014, resulting in **improved operational PATMI**

Historical EBITDA and Invested Capital



- Decline in **Fixed capital** as a result of lower capex and divestments
- Decrease in **working capital** from lower receivables and margin accounts with brokers

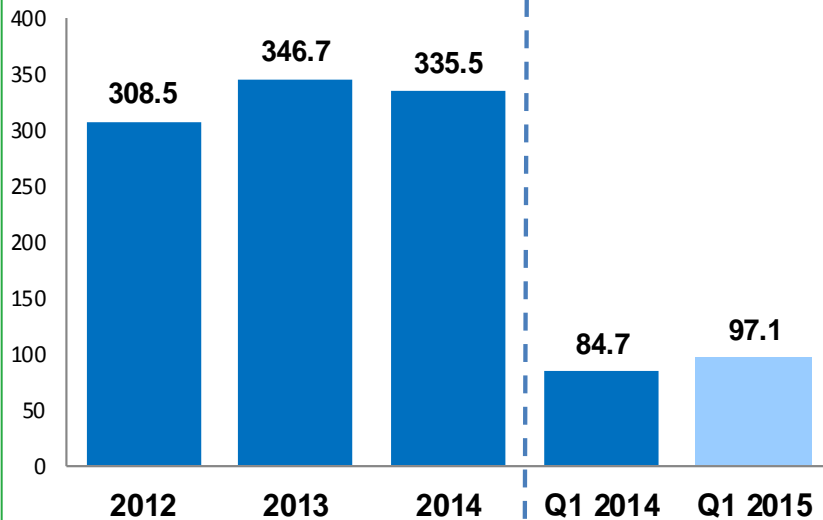
IC excludes (a) Gabon Fertiliser Project (31-Mar-15: S\$173.7 mn, 31-Dec-14: S\$182.4 mn, 31-Mar-14: S\$177.0 mn), and (b) Long Term Investment (31-Mar-15: S\$333.9 mn, 31-Dec-14: S\$334.4 mn, 31-Mar-14: S\$392.2 mn)



Wheat milling in Ghana

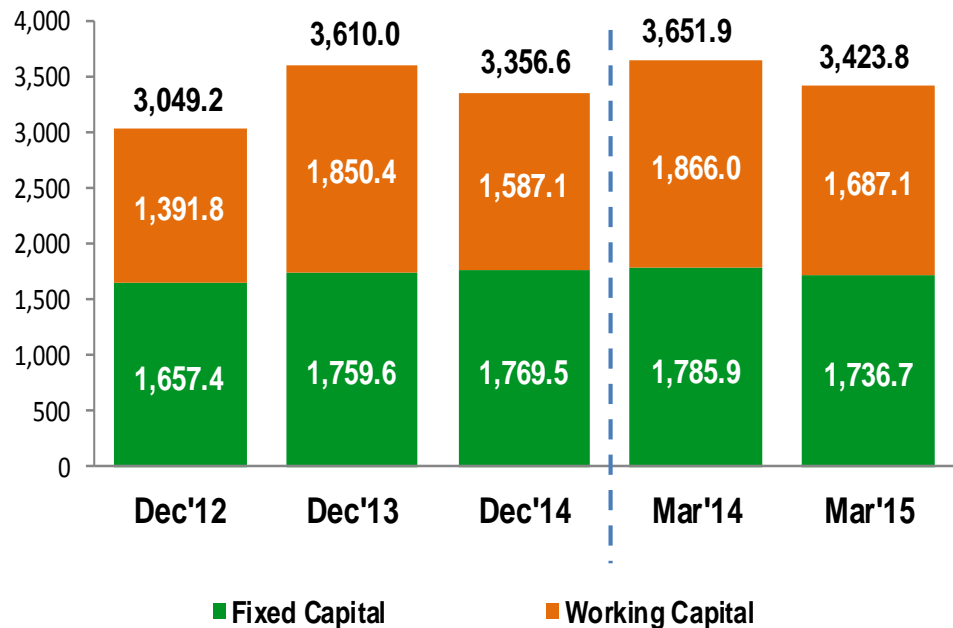
SGD Mn

EBITDA

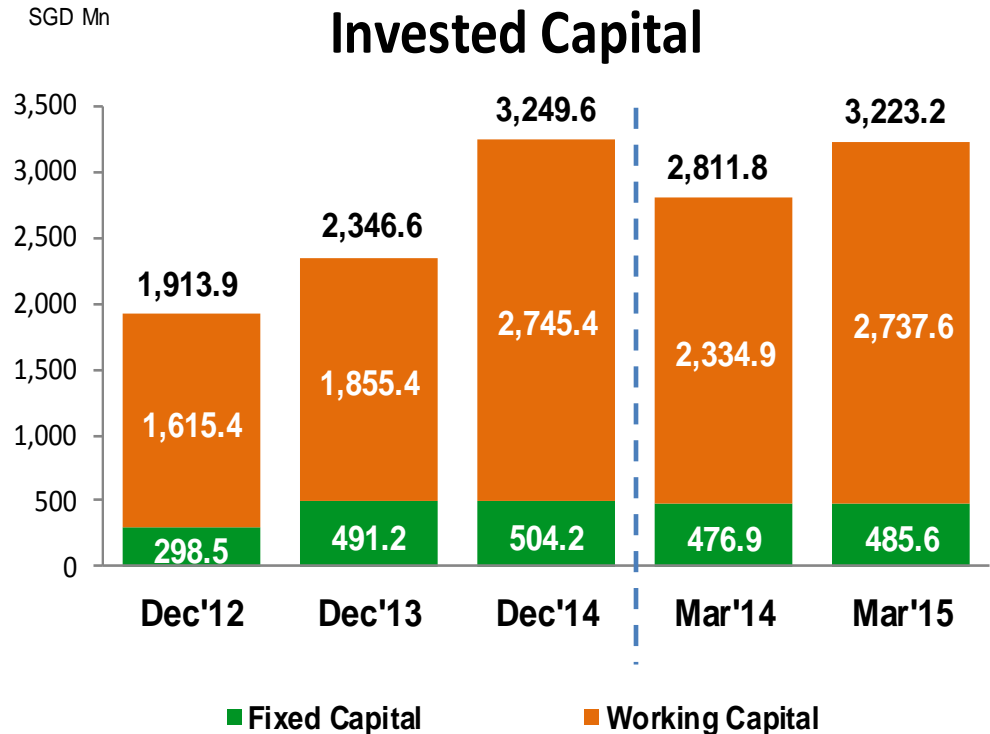
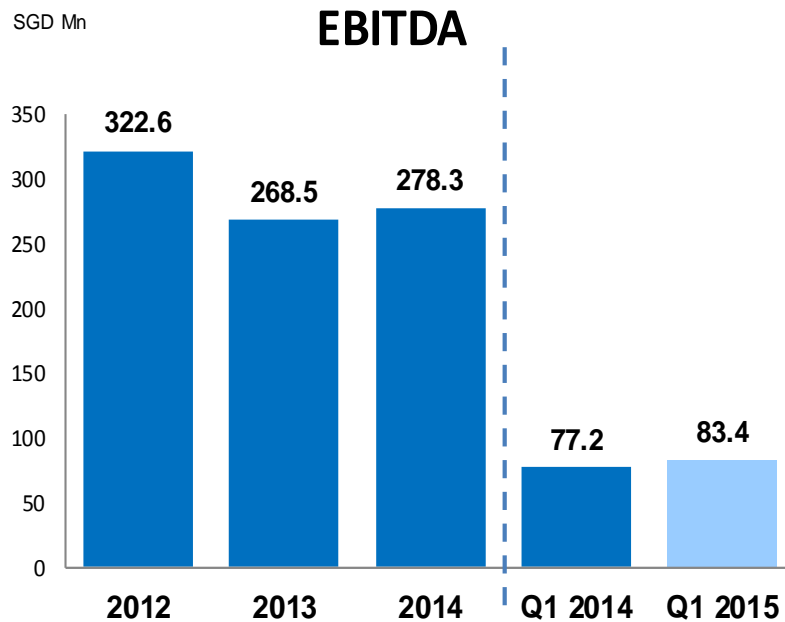


SGD Mn

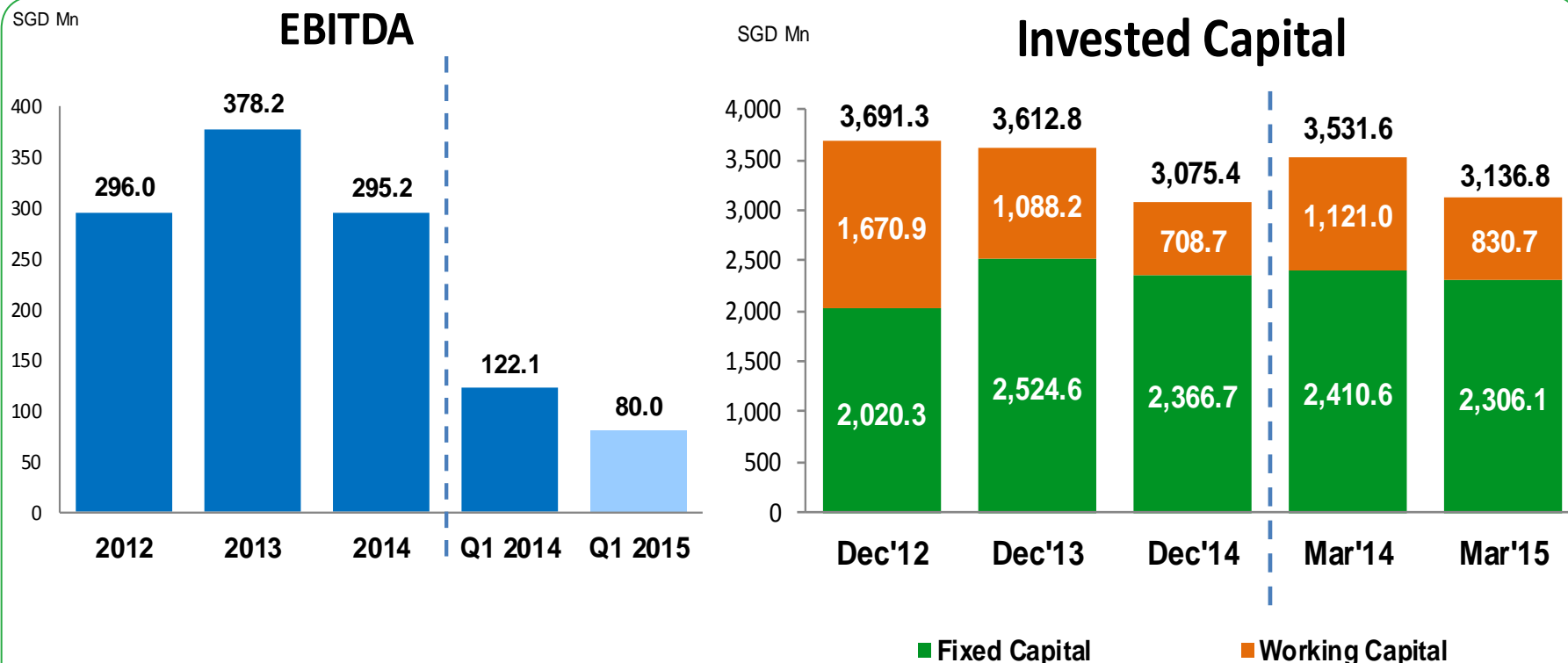
Invested Capital



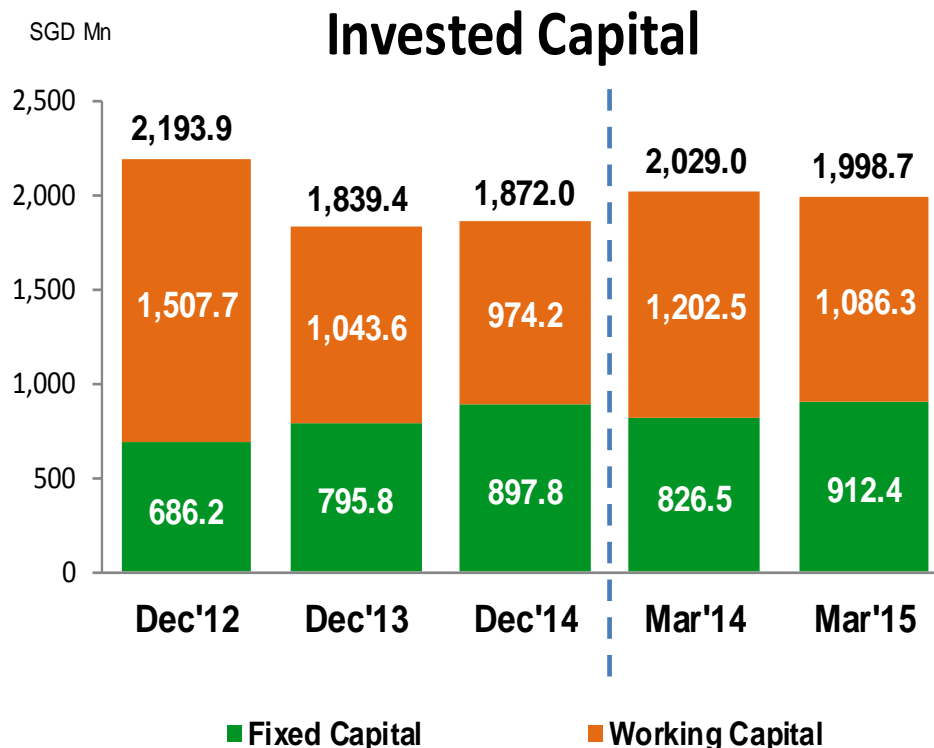
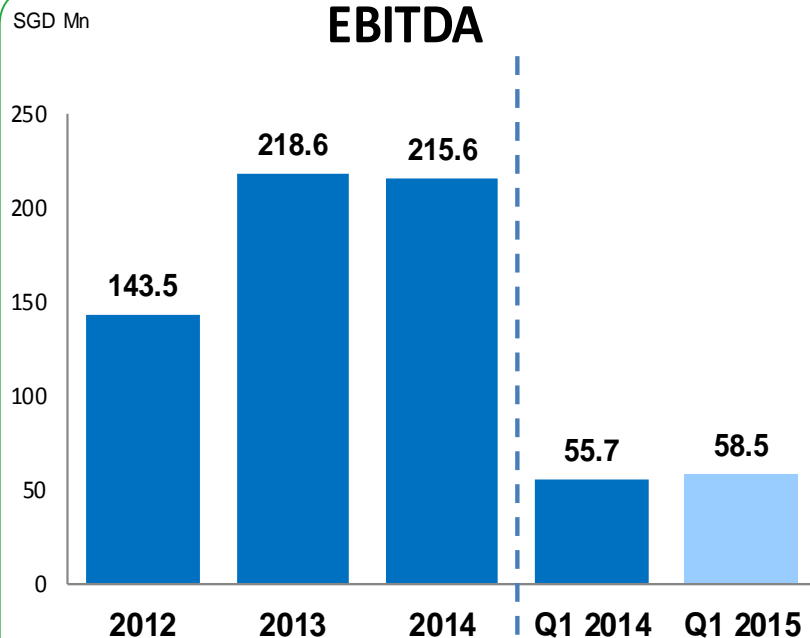
- The almonds business **continued its strong performance**, aided by higher prices. The US spices and vegetables business also performed well. Peanuts in Argentina was impacted adversely by lower prices and by the improved competitiveness of the US peanut industry in the export markets
- **Invested capital decreased** by S\$228.1 million as compared to end-March 2014 primarily due to the sale and leaseback of upstream almond assets and a reduction in tomato paste and cashew inventories



- **EBITDA growth of 8.0%** with good contributions from both Coffee and Cocoa platforms
- **Invested capital** in the segment increased by S\$411.4 million as compared to end-March 2014 mainly due to an **increase in inventory levels** carried at higher average prices



- The **Grains and Rice distribution, Sugar and Dairy supply chain** businesses **performed well**
- Segment **EBITDA declined** by 34.4% due to reduced volumes from discontinued operations, continued underperformance of Dairy farming operations in Uruguay and the impact of currency devaluation on our import and distribution businesses in Nigeria, Ghana and Mozambique
- **Invested capital decreased** by S\$394.8 million vis-à-vis end-March 2014, due to a **reduction in fixed assets** from the sale of the Dairy processing plant in Cote d'Ivoire and the sale-and-leaseback of Dairy farm land in Uruguay and from a **reduction in working capital** in the Grains and Dairy supply chain businesses

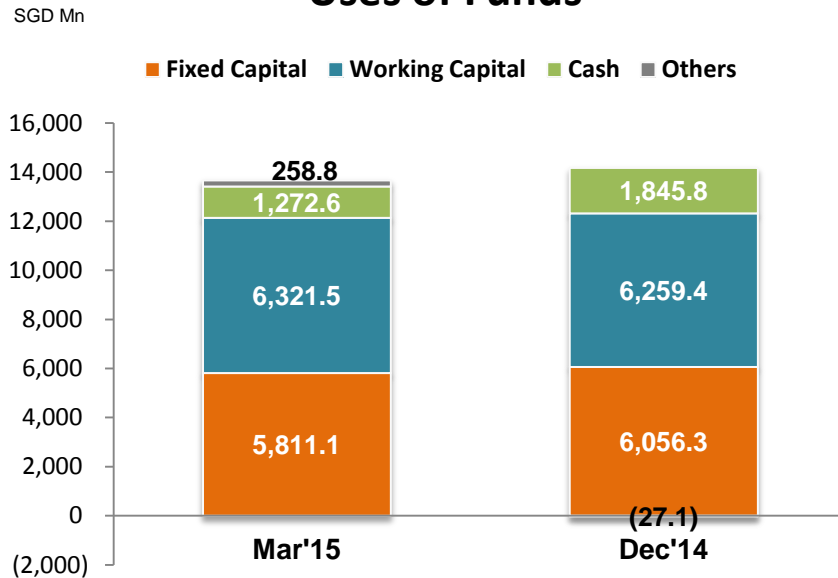


- Segment **EBITDA increased by 5.0%** due to higher contribution from the **Cotton** business and the **Wood Products** business, partly offset by lower contribution from Rubber, Fertiliser trading and the SEZ business
- **Invested capital declined** marginally by S\$30.3 million compared to end-March 2014 with investments in upstream Rubber plantations partly offset by reduction in segment working capital

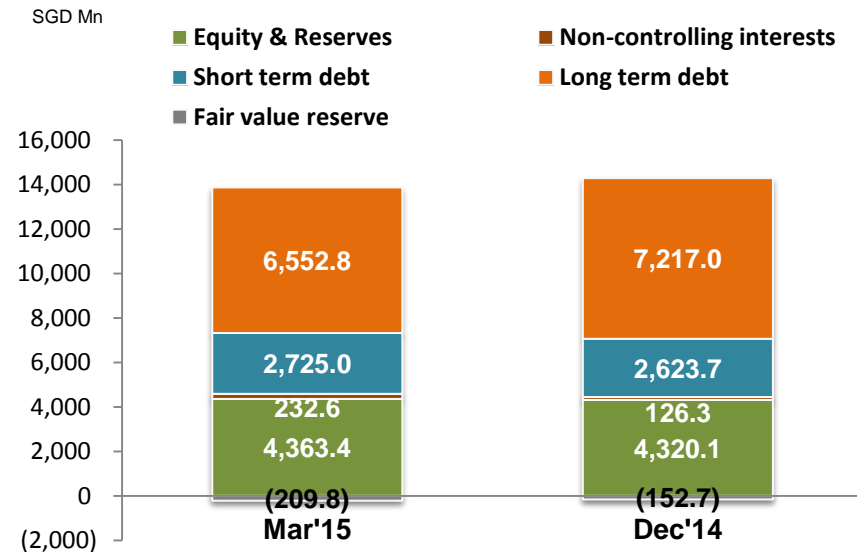
Irrigation at our farms in Zambia



Uses of Funds



Sources of Funds



- Optimising tenor and overall cost of borrowing mix
 - Reduction in cost of borrowing via buyback of higher cost bonds
 - Issuance of new medium term notes at a lower coupon

Significant improvement in cash flow

Cash Flow Summary	Q1 2015	Q1 2014	Y-o-Y
Operating Cash flow (before Interest & Tax)	372.1	293.2	78.9
Changes in Working Capital	(162.7)	(801.6)	638.9
Net Operating Cash Flow	209.4	(508.4)	717.8
Tax paid	(10.2)	(10.9)	0.7
Capex/ Investments	(79.0)	94.5	(173.5)
Free cash flow to firm (FCFF)	120.2	(424.8)	545.0
Net interest paid	(177.6)	(151.9)	(25.7)
Free cash flow to equity (FCFE)	(57.4)	(576.7)	519.3

- Generated **positive FCFF** in Q1 2015 due to **higher operating cash flows** and **lower working capital requirements**, partly offset by higher Capex from the investment in MMI

Reduced gearing, remains in line with 2016 objective

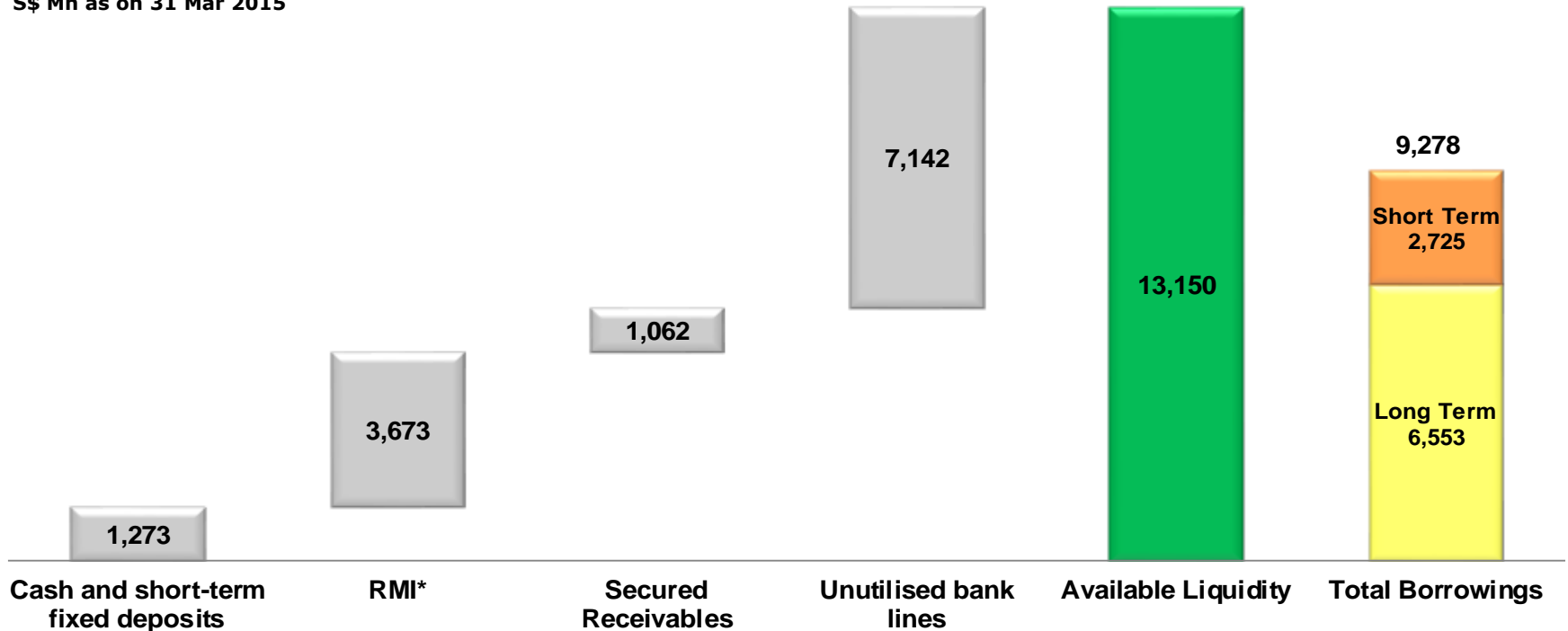
SGD Mn

	31-Mar-15	31-Dec-14	Change vs Dec 14	31-Mar-14	Change vs Mar 14
Gross debt	9,277.8	9,840.7	(562.9)	9,506.8	(229.0)
Less: Cash	1,272.6	1,845.8	(573.2)	1,022.6	250.0
Net debt	8,005.2	7,994.9	10.3	8,484.2	(479.0)
Less: Readily marketable inventory	3,673.1	3,947.9	(274.8)	3,945.6	(272.5)
Less: Secured receivables	1,062.2	1,030.4	31.8	1,712.4	(650.2)
Adjusted net debt	3,269.9	3,016.6	253.3	2,826.2	443.7
Equity (before FV adj reserves)	4,363.4	4,320.1	43.3	4,186.5	176.9
Net debt / Equity (Basic)	1.83	1.85	(0.02)	2.03	(0.19)
Net debt / Equity (Adjusted)	0.75	0.70	0.05	0.68	0.07

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

- Reduction in gearing vs March 2014 from a combination of lower net debt and higher equity
- Gearing remains **within** our **2016 objective** of at or below **2.0x**

S\$ Mn as on 31 Mar 2015



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

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- **Borrowing mix** currently weighted towards medium and long term

Coffee harvesting in Brazil



- ❖ **Strong underlying performance** with growth in 4 out of 5 segments
- ❖ Focus remains on **executing strategic plan initiatives** and **optimising our debt portfolio**
- ❖ **Backing growth** in our **prioritised platforms**
- ❖ **Navigating carefully** through the **current macro-economic uncertainty** and **currency volatility**

Thank You



Update on strategic plan execution

SGD Mn

Summary of Completed Strategic Plan Initiatives	Number of Initiatives	P & L impact	Addition to capital reserves	Cash flow impact
Closed in 2012	1	17.4		68.6
Closed in 2013	4	18.2	14.2	65.5
Sale and Leaseback of Almond Plantation Assets, Australia		65.4		233.2
Divestment of Olam Lansing JV, Canada				6.8
Sale of Timber Assets, Gabon		(14.6)		22.8
Repurchase of Bonds and Perpetual Securities		1.0	2.3	
Sale of 9.8% stake in OCDL, New Zealand		(0.6)		35.1
Australian Grains JV with Mitsubishi Corporation		28.8		79.8
Sale of Timber Subsidiary in Gabon		(22.6)		7.5
Sale of Collymongle Cotton Gin, Australia		6.0		9.9
Sale of 20% stake in SEZ to RoG, Gabon				74.8
Sale of Dairy Processing Plant, Cote d'Ivoire		13.2		32.7
Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon			31.5	40.0
Sale and Leaseback of Dairy Farm Land, Uruguay		20.4		70.4
Sale of Australian Wool Business		(2.7)		
Closure of SVI dehydrates facility, US		(4.7)		
Closed in 2014	14	89.6	33.8	612.9
Sale of 25% stake in Packaged Foods BU to Sanyo Foods			106.2	219.1
Closed in 2015	1		106.2	219.1
Total	20	125.2	154.2	966.1