



**Acquisition of Wheat Milling and
Pasta Manufacturing Assets, Nigeria**

Analysts/Media Conference Call
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Cautionary note on forward-looking statements



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Presenters



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Transaction overview

Our current participation in wheat milling

Nigeria's milling industry

Assets overview

Benefits of combined milling business

Financial impact

Key takeaways

Transaction overview



Olam to acquire the wheat milling and pasta manufacturing assets of the BUA Group in Nigeria for a total enterprise value of US\$275.0 million

BUA Group is among the top 5 largest wheat millers in the country with flour and pasta making capacities of 3,760 and 700 metric tonnes per day (TPD) respectively

Acquired assets will double Olam's total milling capacity in Sub-Saharan Africa from 3,880 to 7,640 TPD and increase milling capacity in Nigeria from 2,380 to 6,140 TPD, strengthening its No. 2 position in Nigeria

Investment rationale



Consistent with Olam's strategy of doing fewer but larger acquisitions that can have a higher impact on earnings and returns

Consistent with our strategy to selectively invest in prioritised platforms; Grains being one of the identified platforms for growth

Provides an opportunity to scale up wheat milling operations and extract multiple synergies by combining the acquired assets with CFM

Enables Olam to integrate downstream in the higher growth and value-added pasta segment

Provides access to strategically located, port-based assets which are increasingly scarce due to scarcity of undeveloped land at port

Our current participation in wheat milling



Selection criteria



Market attractiveness

- Political stability
- Existing flour market size
- Potential for growth

Industry protection

- Flour import position
- Import tariffs

Margin attractiveness

- Milling margin
- Projected capacity imbalance

Winnability

- Olam's presence
 - Existing infrastructure
 - Synergy benefits
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Selective participation in milling in Sub-Saharan Africa

Based on our selection criteria, we entered the following geographies:

- **Nigeria:** Acquired Crown Flour Mills (Jan 2010)
- **Ghana:** Greenfield wheat mill of 500 TPD (Apr 2011)
- **Senegal:** Greenfield wheat mill of 500 TPD (Jun 2014)
- **Cameroon:** Greenfield wheat mill of 500 TPD (March 2015)

Total milling capacity of 3,880 TPD



Nigeria: Crown Flour Mills (CFM)



Acquired in Jan 2010, CFM increased capacity in 2013 to 2,380 TPD

Asset details:

- **Lagos**
 - Milling capacity: 1,580 TPD
 - Storage capacity: 48,000 MT
- **Warri**
 - Milling capacity: 800 TPD
 - Storage capacity: 20,000 MT
- **Product range**
 - Bread flour
 - Noodle flour
 - Biscuit flour
 - Semolina

CFM is No. 2 miller by flour sales and No. 4 by capacity in Nigeria

Nigeria's milling industry



Large, growing market

Industry structure concentrated with 5 key players with high barriers to entry

Local wheat milling industry enhanced by favourable regulatory regime where import of wheat flour attracts 100% duty and pasta import is banned

Port access and a nation-wide sales and distribution network are key determinants of success

Large import, high growth market



Population of 160 million

- Over 50% urban
- Median age of just 18 years

Rate of urbanisation of 3.8%, leading to demand growth for bread, pasta, noodles and biscuits

Largest importer of wheat in Sub-Saharan Africa

- 4.2m MT p.a.
- Addressable flour/semolina market of approx. 3.2m MT

Nigerian flour market is worth over US\$2.0 billion

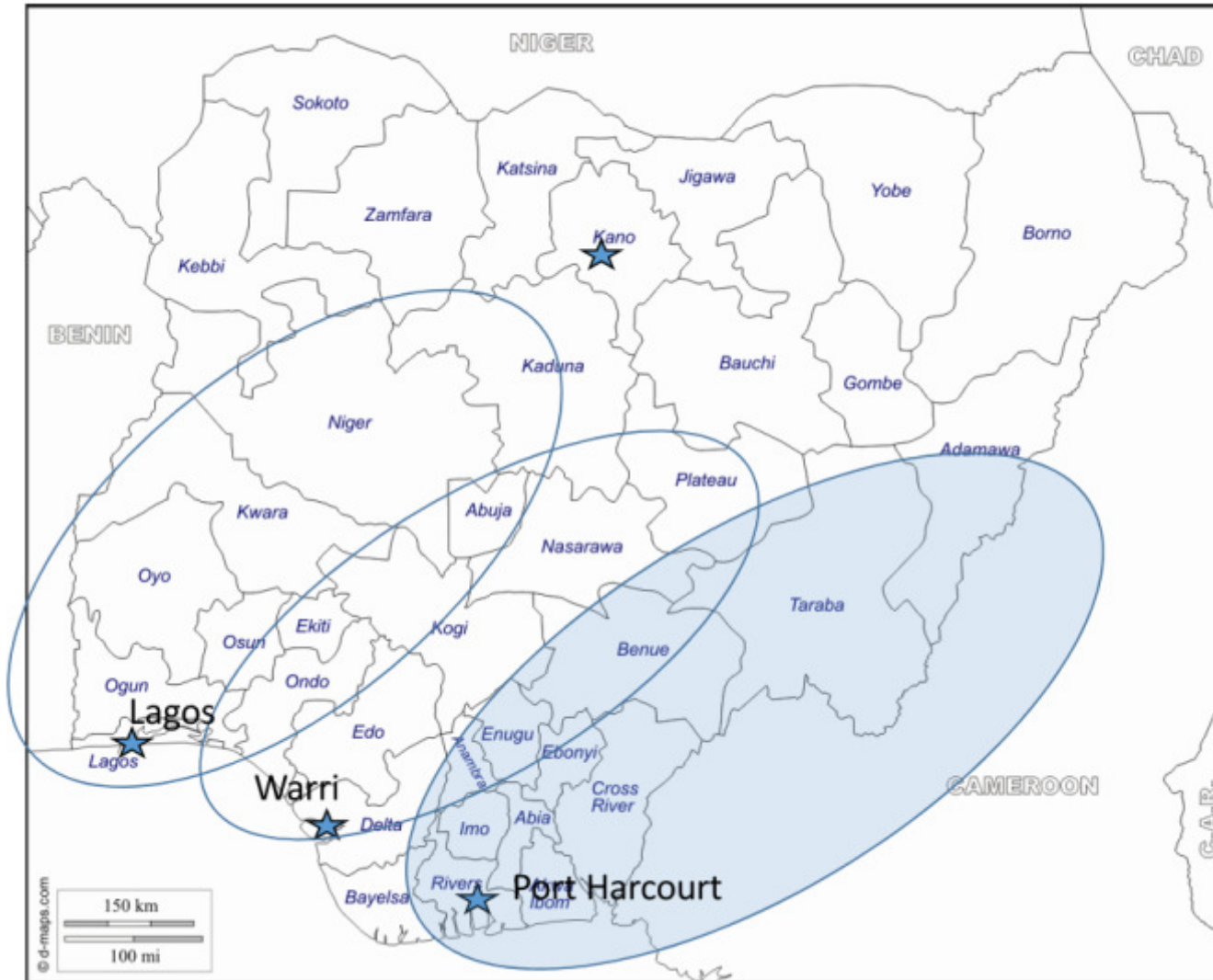
Flour market growth rate of 3.5% p.a.

Pasta market growth rate of 8.0% p.a.

Assets overview



Assets footprint



Assets in Port Harcourt, to be commissioned in June 2016, will give us access to the Southeast region of Nigeria – a 500,000 MT p.a. market we are not serving yet.

Asset details



	Tin Can, Lagos	Beachland, Lagos	Kano (not in operation)	Port Harcourt (expected commissioning in Jun 2016)
Milling Capacity (TPD)	1,700	360	500	1,200
Pasta Capacity (TPD)	-	320	-	380
Storage Capacity (MT)	45,000	4,000	10,000	46,500
Products	Bread flour Noodle flour Biscuit flour Semolina	Pasta		Bread flour Noodle flour Biscuit flour Semolina Pasta

Benefits of combined milling business



Sources of synergies



Asset utilisation: Increase days of operation for flour and pasta in acquired mills to CFM's standards to extract greater efficiency

Wheat gristing: Leverage Olam's global network to source wheat from different origins and generate efficient blends

Freight and demurrage: Reduce overall cost by combining shipments on larger vessels and utilising higher discharge rate at Tin Can and Beachland

Product mix: Improve mix by adding semolina to acquired mills' production

Extraction rate: Improve overall rate by applying Olam's extraction efficiency to acquired mills

Consumables and packaging: Derive cost savings from larger scale and combined purchasing power

Financial impact



Price consideration of US\$275.0 million represents a small premium to replacement cost

To be funded through debt and internal accruals, the acquisition is expected to be **earnings accretive from Year 1** post consolidation

Acquired business is expected to generate a return in **EBITDA/Invested Capital of 13-16% at steady-state in 2018**

Part of the consideration will be deferred and paid after the facilities in Port Harcourt are commissioned

Key takeaways



Key takeaways



Acquisition of BUA Group's wheat milling and pasta assets (among top 5 in Nigeria) for enterprise value of US\$275.0 million

Accelerates growth in our Grains platform by **scaling up Africa wheat milling**

Achieves Grains' strategic objective for selective participation in wheat milling in high growth markets, and doubles total milling capacity in Sub-Saharan Africa

Provides an opportunity to **extract multiple synergies by combining the acquired assets with CFM**

Enters into higher value-added, higher growth pasta segment, leading to margin accretion

Transaction is **earnings accretive from Year 1 and meets return targets for a midstream operation**



Thank You.