



# Olam International Limited

H1 2017 Results Briefing  
August 14, 2017



# Presenters

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**Sunny Verghese**  
Co-Founder and Group CEO



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Executive Director and Group COO



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President and Group CFO

# Notice

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This presentation should be read in conjunction with Olam International Limited's Financial Statements for the Second Quarter ("Q2 2017") and First Half ended June 30, 2017 ("H1 2017") and Management Discussion and Analysis lodged on SGXNET on August 14, 2017.

# Cautionary note on forward-looking statements

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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 news release and in the Management Discussion and Analysis section of the Company's Second Quarter and First Half ended June 30, 2017 results report and filings on SGXNET. 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.

# Agenda

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- Welcome address by Olam Co-Founder & Group CEO
- H1 2017 highlights
- Financial and operating performance
  - Segmental analysis
  - Balance sheet and cash flow
- Key takeaways



Welcome  
address



# H1 2017 highlights



# H1 2017 highlights

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- PATMI grew 27.5% to S\$291.5 million
- Strong underlying growth with Operational PATMI up 23.6% despite higher depreciation and amortisation, and finance costs
- EBITDA up 19.1% to S\$772.3 million
- Higher positive Free Cash Flow to Firm (FCFF) at S\$239.4 million (H1 2016: S\$191.2 million)
- Board declares interim dividend of 3.5 cents per share



Financial and  
operating  
performance



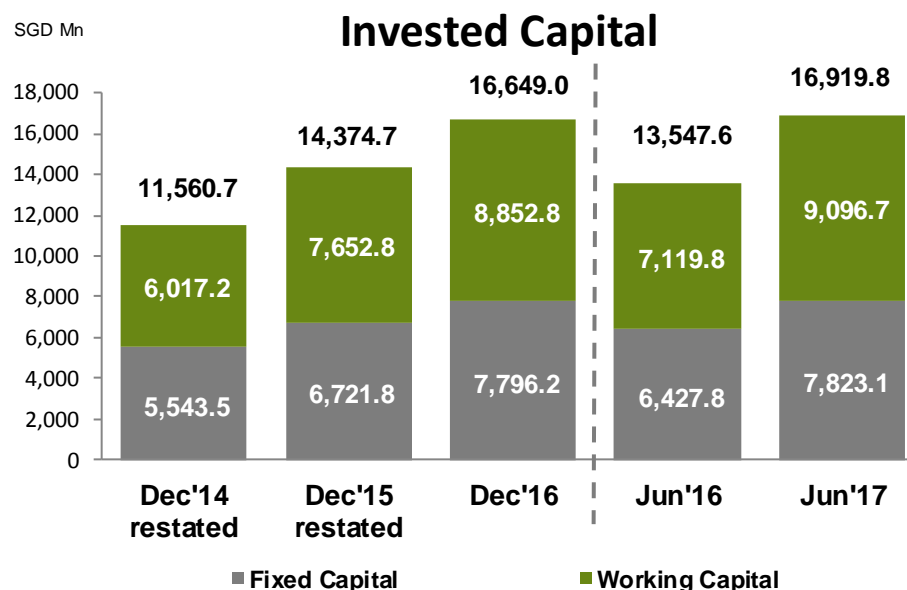
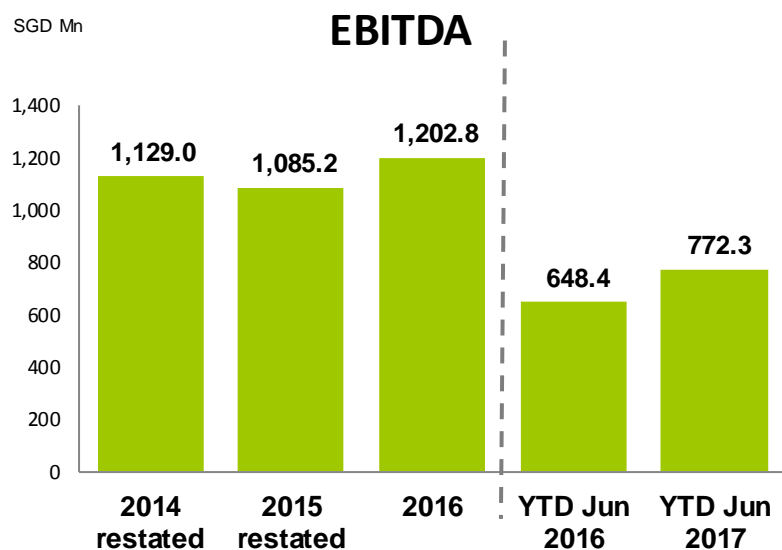
# P&L Analysis

SGD Mn

	H1 2017	H1 2016	% Change
Volume ('000 MT)	8,939.8	6,447.5	38.7
Revenue	12,324.7	9,742.8	26.5
Net gain/(loss) in fair value of biological assets	(1.6)	(6.5)	(75.2)
<b>EBITDA</b>	<b>772.3</b>	<b>648.4</b>	<b>19.1</b>
Depreciation & Amortisation	(183.7)	(164.3)	11.8
Net Finance costs	(258.0)	(191.1)	35.0
Taxation	(54.1)	(59.8)	(9.4)
Exceptional items	(6.3)	(12.4)	n.m.
PAT	270.1	220.9	22.3
<b>PATMI</b>	<b>291.5</b>	<b>228.6</b>	<b>27.5</b>
<b>Operational PATMI</b>	<b>297.8</b>	<b>241.0</b>	<b>23.6</b>

- Volume growth from all segments, led by trading volumes in Grains and Edible Oils
- EBITDA growth from Edible Nuts, Spices & Vegetable Ingredients, Food Staples & Packaged Foods, CFS and Industrial Raw Materials, Ag Logistics & Infrastructure segments, offsetting lower contribution from Confectionery & Beverage Ingredients
- Higher depreciation and amortisation charges due to enlarged fixed asset base
- Increased net finance costs due to 1) larger invested capital base; 2) increase in benchmark interest rates; 3) increase in higher-cost local borrowing in select geographies

# EBITDA and Invested Capital



### • Compared to end-Jun 2016:

- Increase in Fixed Capital from acquisition of peanut shelling assets, as well as continued committed investments in upstream and midstream assets
- Increase in Working Capital from higher volumes and prices, including cashew, peanuts, coffee and cotton

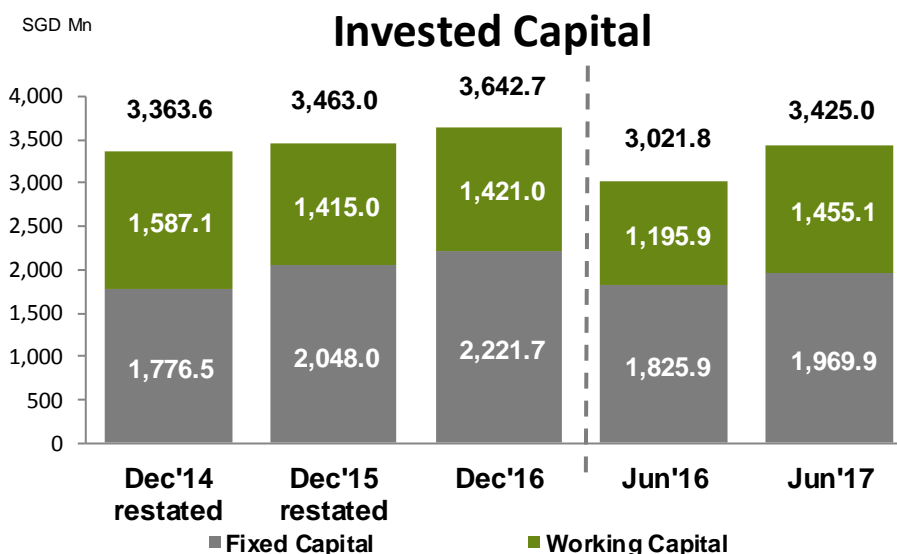
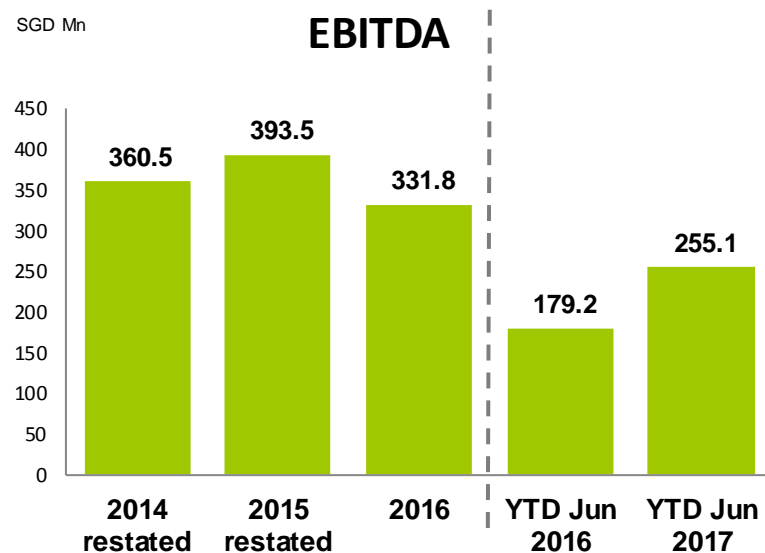
Invested Capital excludes :

- (a) Gabon Fertiliser Project (30-Jun-17: S\$237.1 million, 31-Dec-16: S\$ 224.8 million, 30-Jun-16: S\$ 212.1 million), and
- (b) Long Term Investment (30-Jun-17: S\$ 220.4 million, 31-Dec-16: S\$ 148.4 million, 30-Jun-16: S\$ 172.5 million)

# Segmental analysis



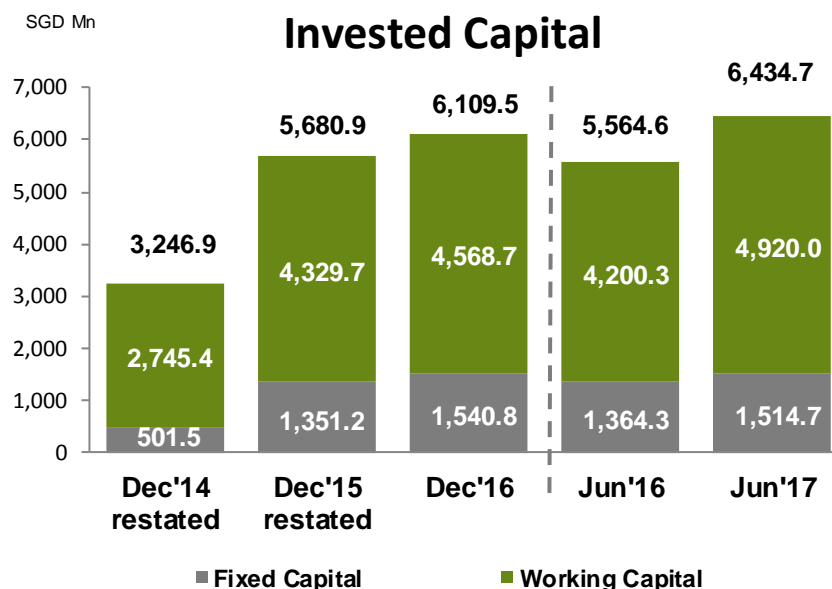
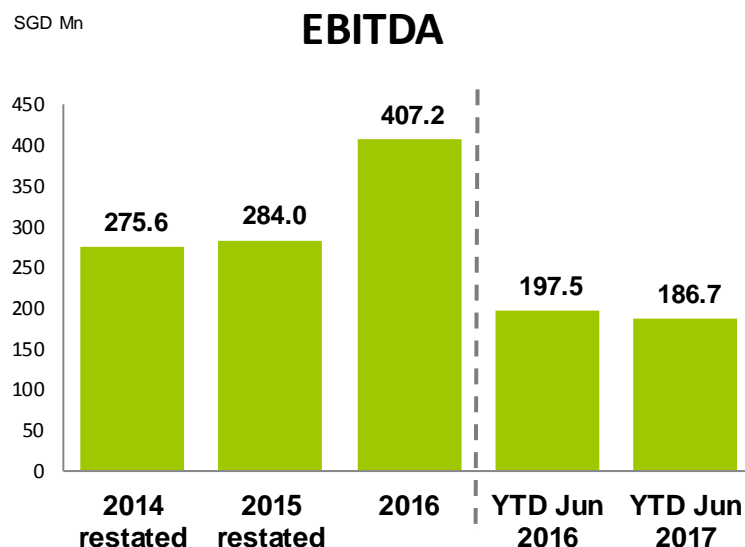
# Edible Nuts, Spices & Vegetable Ingredients



- EBITDA up 42.4% largely from cashew, peanuts, almonds and sesame; tomato processing underperformed as guided earlier in Q1 2017
- Compared to end-Jun 2016, Invested Capital increased by S\$403.2 million; higher Working Capital from higher cashew volumes and prices; Fixed Capital up mainly due to acquisition of peanut shelling assets

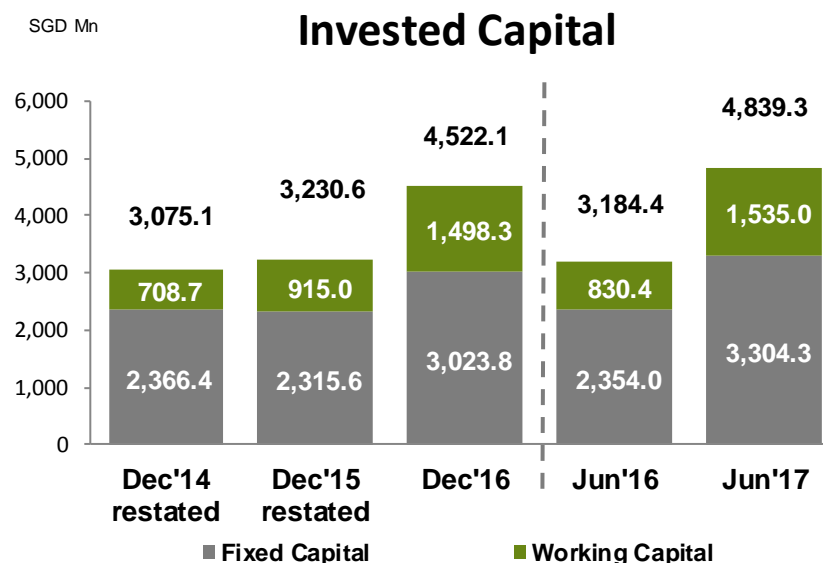
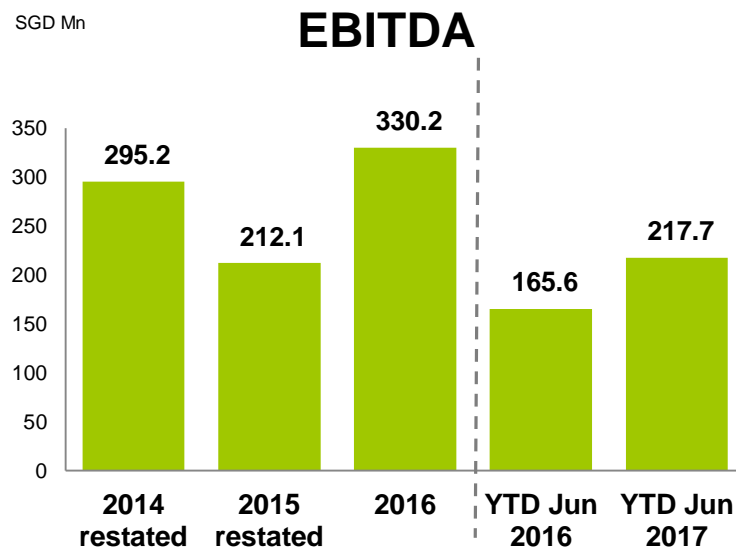


# Confectionery & Beverage Ingredients



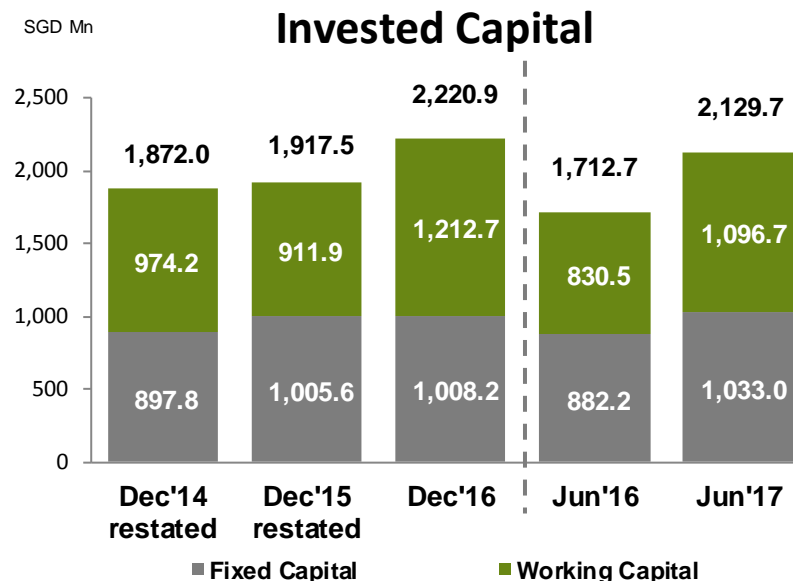
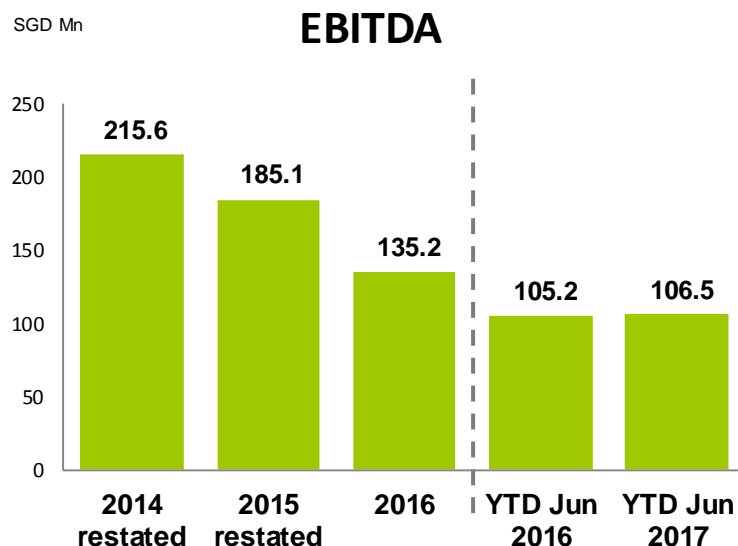
- EBITDA down 5.5% on lower contribution from Cocoa due to margin pressures from sharply lower prices; Coffee delivered higher EBITDA
- Invested Capital increased by S\$870.1 million as compared with end-Jun 2016, driven by higher Working Capital from higher Coffee volume and prices; Fixed Capital increased with expansion of soluble coffee capacity in Vietnam and Spain, and continued investments in coffee plantations

# Food Staples & Packaged Foods



- EBITDA up 31.5% with most platforms performing better than H1 2016
- Grains platform led the growth in both origination, trading and milling, followed by Dairy and Rice. Edible Oils also performed better than H1 2016
- Invested Capital increased by S\$1.7 billion as compared with end-Jun 2016; higher sales volumes drove up Working Capital; Fixed Capital up mainly due to construction of animal feed mills in Nigeria, wheat milling capacity expansion in Ghana and Nigeria, and continued investments in upstream palm in Gabon

# Industrial Raw Materials Ag Logistics & Infrastructure



- EBITDA increased 1.2% on the back of higher contribution from GSEZ; Cotton was steady while Wood Products continued to face demand headwinds in India
- Invested Capital up by S\$417.0 million as compared with end-Jun 2016; Working Capital rose with higher volumes and prices of Cotton; Fixed Capital up with continued investments in upstream Rubber plantations in Gabon

# Balance sheet and cash flow



# Balance sheet

SGD Mn

	30-Jun-17	30-Jun-16	Change vs Jun 16	30-Jun-2016 (assuming PPA exercise completed)	Change vs Jun 16 (assuming PPA exercise completed)
<b>Uses of Capital</b>					
Fixed Capital	8,280.6	6,245.4	2,035.2	6,911.2	1,369.4
Working Capital	8,851.8	7,693.6	1,158.2	7,672.1	1,179.7
Cash	2,038.0	2,152.0	(114.0)	2,152.0	(114.0)
Others	226.9	738.4	(511.5)	94.1	132.8
<b>Total</b>	<b>19,397.3</b>	<b>16,829.4</b>	<b>2,567.9</b>	<b>16,829.4</b>	<b>2,567.9</b>
<b>Sources of Capital</b>					
Equity & Reserves	5,856.5	4,941.0	915.5	4,941.0	915.5
Non-controlling interests	211.2	224.7	(13.5)	224.7	(13.5)
Short term debt	5,686.5	4,542.6	1,143.9	4,542.6	1,143.9
Long term debt	7,883.3	7,399.6	483.7	7,399.6	483.7
Fair value reserve	(240.2)	(278.5)	38.3	(278.5)	38.3
<b>Total</b>	<b>19,397.3</b>	<b>16,829.4</b>	<b>2,567.9</b>	<b>16,829.4</b>	<b>2,567.9</b>

- Compared with end-Jun 2016 on a Purchase Price Allocation (PPA) adjusted basis for acquisitions made during 2015 and 2016, the net increase in Fixed Capital would be S\$1.4 billion



# Balance sheet

## Optimising tenure and borrowing mix

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Completed several debt refinancing programmes in H1 2017:

- First revolving revolving credit facility in Europe aggregating US\$1.0 billion which comprises of three tranches – a 1-year (US\$400.0 million), a 2-year (US\$300.0 million) and a 3-year (US\$300.0 million) facility
- S\$300.0 million Perpetual Securities bearing 5.5% for first 5 years and tapped additional S\$50.0 million at 100.25% of principal at the same rate
- 3-year term loan facility of ¥25.0 billion (approximately US\$222.0 million) in the Japanese loan market
- ¥6.0 billion (approx. US\$50.0 million) 5-year senior unsecured notes due 2022 at a fixed coupon of 0.9725%
- ¥5.7 billion (approx. US\$50.0 million) senior notes due 2022 at 98.0% of principal and fixed yen coupon of 0.47%

# Cash flow analysis

SGD Mn

Cash Flow Summary	H1 2017	H1 2016	YoY
Operating Cash flow (before Interest & Tax)	756.3	661.3	95.0
Changes in Working Capital	(35.1)	130.0	(165.1)
<b>Net Operating Cash Flow</b>	<b>721.2</b>	<b>791.3</b>	<b>(70.1)</b>
Tax paid	(45.1)	(44.7)	(0.4)
Capex/ Investments	(436.7)	(555.4)	118.7
<b>Free cash flow to firm (FCFF)</b>	<b>239.4</b>	<b>191.2</b>	<b>48.2</b>
Net interest paid	(252.2)	(196.2)	(56.0)
<b>Free cash flow to equity (FCFE)</b>	<b>(12.8)</b>	<b>(5.0)</b>	<b>(7.8)</b>

- Reduced net Capex and investments by S\$118.7 million in H1 2017; Capex were mainly due to committed and ongoing investments
- Higher positive Free Cash Flow to Firm in H1 2017 by S\$48.2 million

# Gearing

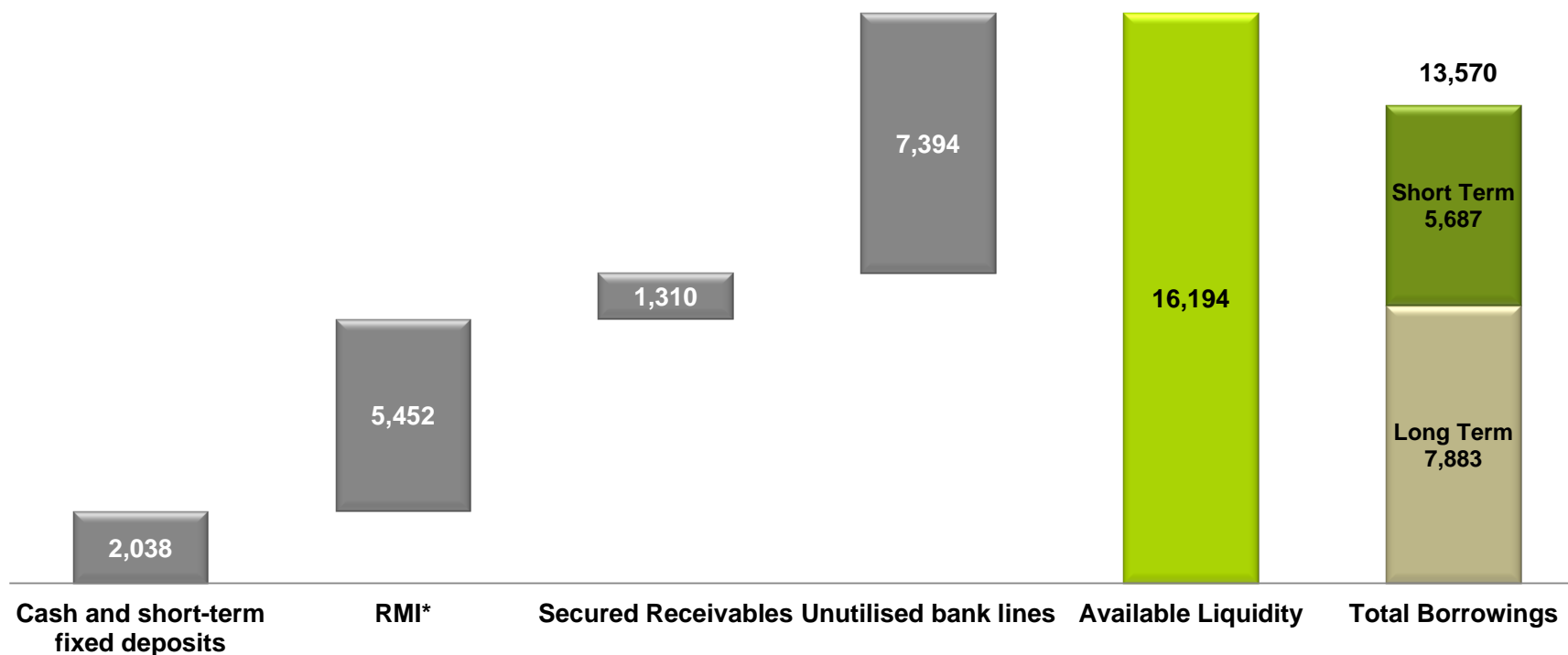
SGD Mn

	30-Jun-17	31-Dec-16	Change vs Dec 16	30-Jun-16	Change vs Jun 16
Gross debt	13,569.8	13,670.5	(100.7)	11,942.2	1,627.6
Less: Cash	2,038.0	2,144.0	(106.0)	2,152.0	(114.0)
Net debt	11,531.8	11,526.5	5.3	9,790.2	1,741.6
Less: Readily marketable inventory	5,451.7	5,909.2	(457.5)	4,815.5	636.2
Less: Secured receivables	1,309.7	1,381.4	(71.7)	1,134.7	175.0
Adjusted net debt	4,770.4	4,235.9	534.5	3,840.0	930.4
Equity (before FV adj reserves)	5,856.5	5,797.1	59.4	4,941.0	915.5
<b>Net debt / Equity (Basic)</b>	<b>1.97</b>	<b>1.99</b>	<b>(0.02)</b>	<b>1.98</b>	<b>(0.01)</b>
<b>Net debt / Equity (Adjusted)</b>	<b>0.81</b>	<b>0.73</b>	<b>0.08</b>	<b>0.78</b>	<b>0.04</b>

- Net debt flat compared with end-Dec 2016
- Net gearing at 1.97 times, similar to gearing levels as at end-Dec 2016 and end-Jun 2016

# Liquidity position

S\$ million as at Jun 30, 2017



- Available liquidity sufficient to cover all repayment and Capex obligations

## Key takeaways





# Key takeaways

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- Strong EBITDA and Operational PATMI growth in H1 2017 across most segments
- Continue to focus on turning around underperforming businesses, ensuring gestating businesses reach full potential and delivering positive free cash flow
- Execute on our strategic plan and pursue growth in prioritised platforms

