

# Olam International Limited

**Re-imagining Olam:  
Offering tomorrow's products and services**

Investor Presentation | August 2020



# 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. 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.

# Company overview

We are a leading, global food and agri-business, sourcing raw materials and transforming them to deliver food, feed and fibre to 25,200 customers worldwide.

## We are Farmers

Field and farming experts growing **16 different crops** in **13 countries**

Scale gives us global market insight, shared learnings and efficiencies

## We are Suppliers

Connecting customers to the source via our network of **5 M farmers**

On the ground, all year executing procurement, traceability, warehousing, logistics, paperless trading

## We are Processors

Transforming raw materials into bespoke ingredients across our **170 facilities**

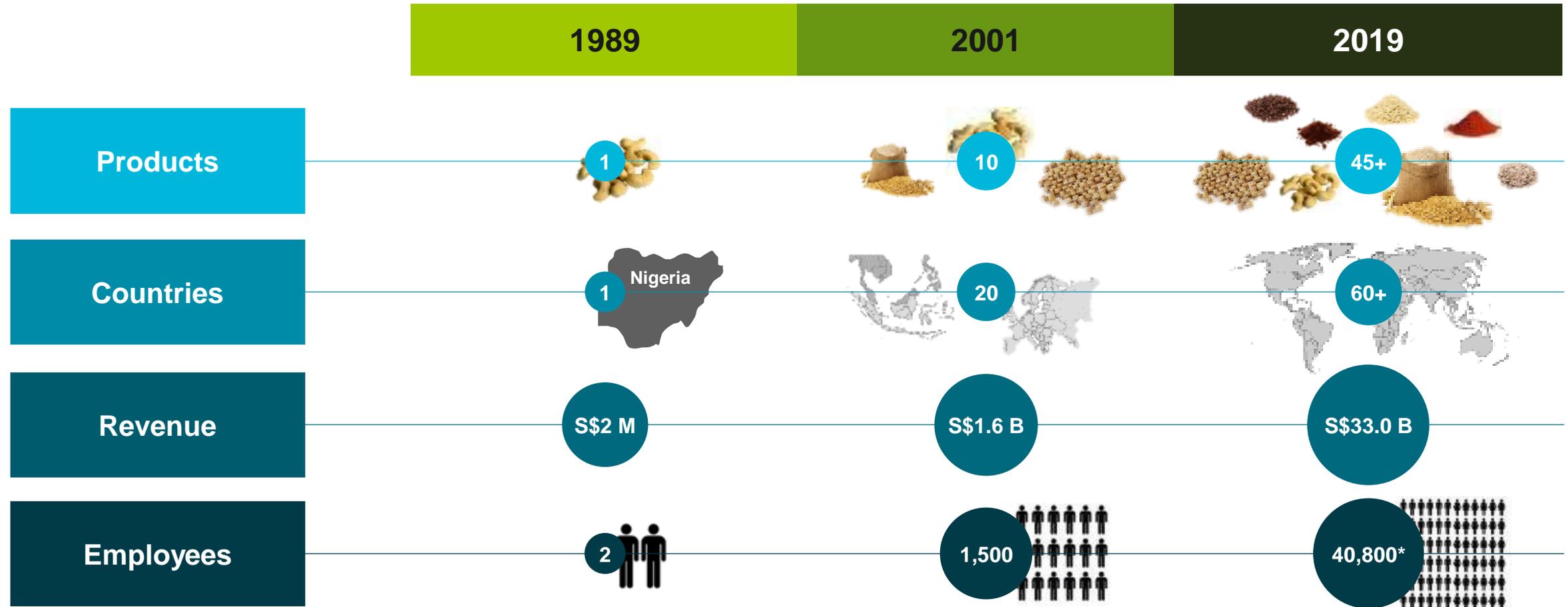
Focus on safety, fairness, quality, efficiency and the environment

## We are Innovators

**14 innovation centres** offering added value solutions through the supply chain

Expertise includes, product innovation and customisation, digital apps and co-manufacturing

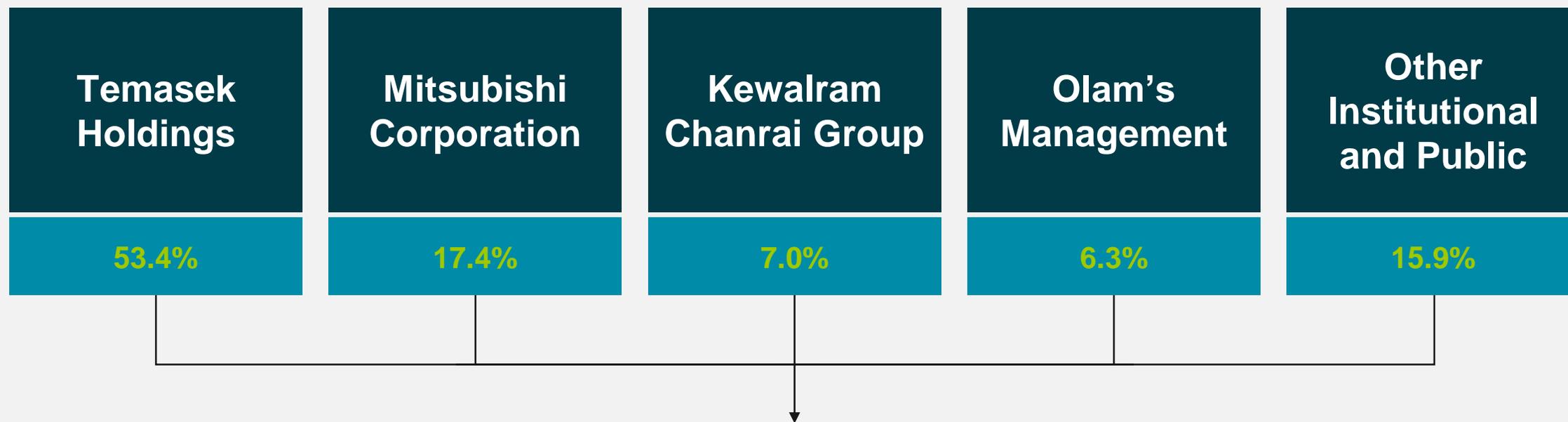
# 30 years of growth



\* Employees refer to full-time employees. Including seasonal and temporary workers, employees at 87,600 in 2019.

# Our shareholders

Listed on the Singapore Exchange since 2005, we have a diversified supportive shareholder base with long-term investment horizon.



Note: Shareholdings are based on 3,195,623,619 shares (excluding treasury shares) as of June 30, 2020. Olam's management refers to the executive committee. Other Institutional and Public includes substantial shareholder Orbis Group at 6.9%.

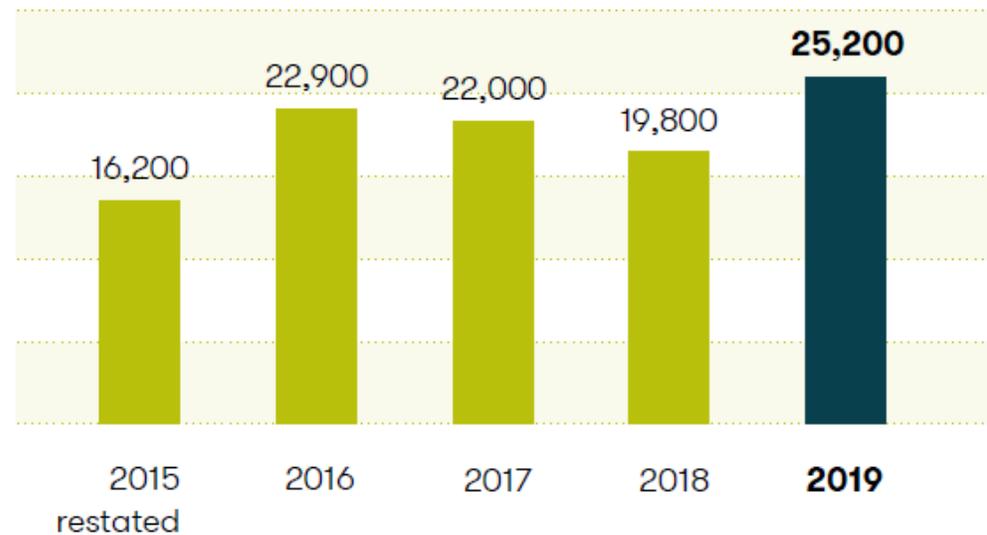


# Our customers

Diversified base with long-term relationships



## Number of customers



## Strong and reputable customer base



More than 25,200 customers worldwide, including several leading global brands

# Our capabilities and how we are differentiated

Portfolio	Competitiveness	Organisational
		
<ul style="list-style-type: none"> <li>• <b>A global leader in speciality agri-products &amp; food ingredients</b> that serves today's consumer preferences for 'healthy indulgence'</li> <li>• <b>Differentiated &amp; defensible strategies</b> for mainstream bulk products</li> <li>• <b>Uniquely shaped portfolio</b> with selective integration across value chain to capture value</li> <li>• <b>Unique Africa footprint &amp; operating capabilities</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Differentiated value-added solutions &amp; services based on key industry trends</b> (health &amp; wellness, sustainability &amp; digital) creating significant opportunities for growth</li> <li>• Network of <b>4.7 million farmers and own farms</b> : unrivalled origination capabilities in the producing countries</li> <li>• <b>Leaders in sustainability</b>, with ability to drive from source</li> <li>• Proof of concept <b>digital pilots</b> now scaling up</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Best global talent</b> <ul style="list-style-type: none"> <li>- Specialist skills &amp; deep expertise</li> <li>- Passionate &amp; entrepreneurial mindsets</li> <li>- <b>High engagement &amp; retention rates</b></li> </ul> </li> <li>• <b>Cross-cutting programmes</b> to develop excellence &amp; share learnings</li> <li>• <b>Strong shareholder base</b> with long-term orientation</li> </ul>

# Our aspiration and goals

Aspiration		
		
<b>Governing Objective</b>	<b>Vision</b>	<b>Purpose</b>
To maximise long-term intrinsic value for our continuing shareholders	To be the most differentiated and valuable global food and agri-business (by 2040)	Re-imagine Global Agriculture & Food Systems

Goals	
<b>ROE *</b> <b>≥ 12%</b>	<b>EBITDA/IC **</b> <b>≥ 13%</b>
<b>FCFE ***</b> <b>(+)</b>	<b>D/E ****</b> <b>&lt; 2.0</b>

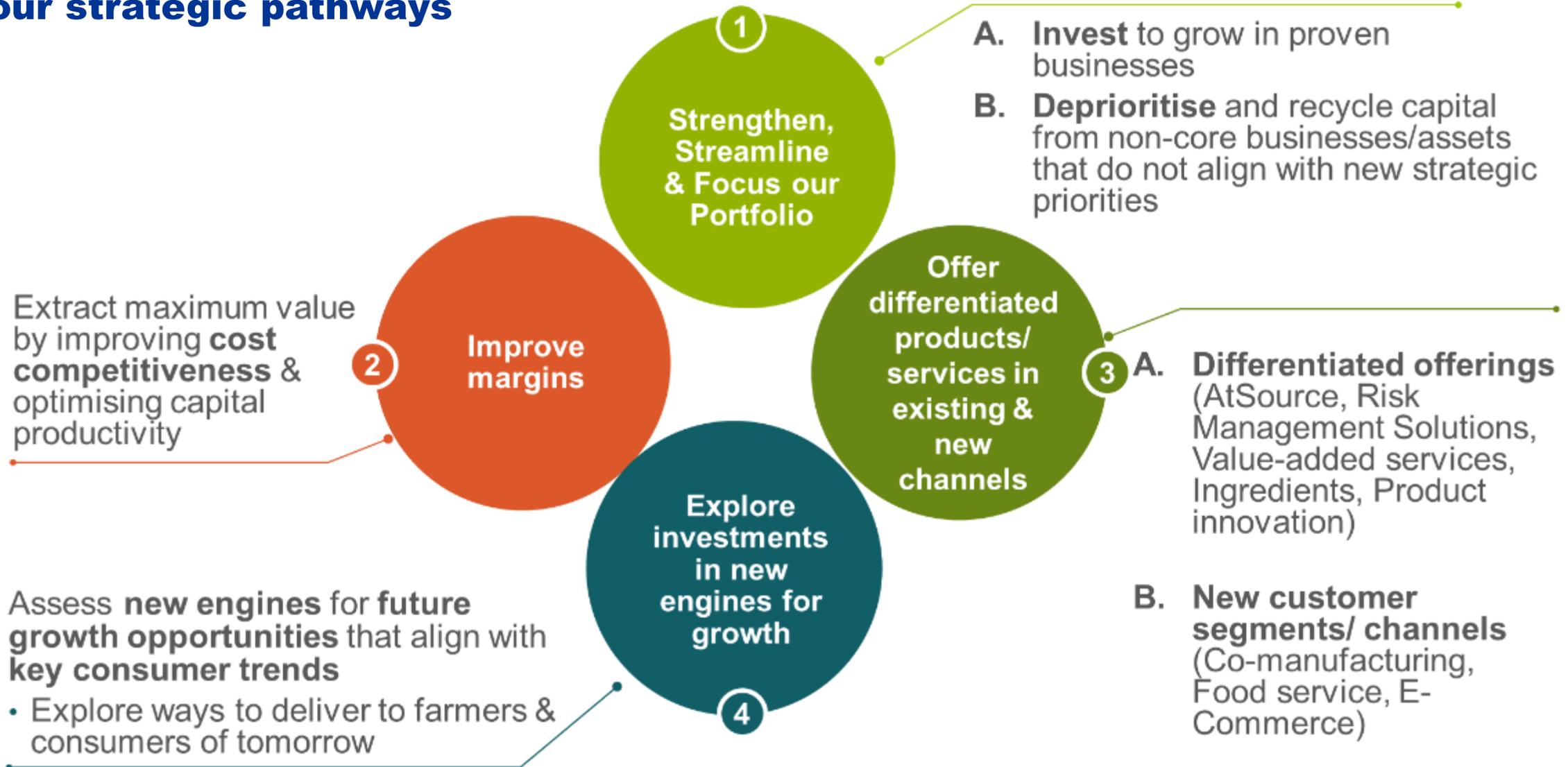
Note: \* ROE target ≥12% from 2021 \*\* EBITDA/Invested Capital (working capital + fixed capital); >13% from 2021 \*\*\* FCFE positive each year from year 2 (FY2020 onwards) \*\*\*\* Net Debt / Equity; < 2.0 throughout plan period

# 2019-2024 Strategic Plan



## Re-imagining Olam: Offering tomorrow's products and services

### Four strategic pathways



# Four key trends informed our choices

Right-for-me	Right-for-the-planet Right-for-the-producer	How I live & consume	How it's produced
			
<ul style="list-style-type: none"> <li>• Healthy eating</li> <li>• Customisation</li> <li>• Premiumisation</li> <li>• Authenticity</li> <li>• Natural ingredients (flavour, colour)</li> <li>• Cool / niche brands</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental concerns (planetary boundaries)</li> <li>• Social equity</li> <li>• Assurance (certification)</li> <li>• Supply chain provenance &amp; traceability</li> <li>• Direct link to producer</li> </ul>	<ul style="list-style-type: none"> <li>• Out-of-home / snacking</li> <li>• Omni-channel purchasing</li> <li>• Mobile connectivity</li> <li>• Social media influencers</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced robotics</li> <li>• Drones</li> <li>• Unmanned vehicles</li> <li>• Big data / Analytics</li> <li>• Precision agriculture</li> <li>• Digital engagement</li> </ul>

Cross cutting offerings (purpose brands, etc)

# We will invest behind attractive/proven businesses, while we streamline our portfolio



## 1 Strengthen, Streamline & Focus Our Portfolio



Continue **investing** in businesses where we have **consistently performed**, have **market leading positions**, are in line with key **consumer trends** & have significant potential for **further growth**

### US\$3.5B~ CAPEX

Estimated over the six-year course of the Plan  
(including maintenance capex of ~US\$1B)

#### Invest in attractive/proven Businesses:

*Nuts, Grains and Animal Feed & Protein, Cocoa, Coffee, Cotton, Spices, Edible Oils, Infrastructure & Logistics, Dairy, Rice, Packaged Foods, CFS*



In a measured & orderly manner, re-cycle capital by de-prioritising **select businesses** that are **not aligned to our new strategic priorities**

### ~US\$1.6B Cash release

Estimated over the six-year course of the Plan

#### Responsibly divest & partial sell-down:

- 4 businesses & related assets  
(*Rubber, Sugar, Wood Products, Fertiliser*)
- Select assets/operations from continuing businesses

# Cost and capital efficiency

## 2 Improve Margins

### Establish **cost competitiveness**

- **Sustained** cost management
- **One Olam:** Consolidation/standardisation
- **Budgeting** & tracking approach

### Cost savings target

FY19-24 Est

**~US\$ 200mil**

### Optimise **capital productivity**

- Management of **capital projects**
- Optimisation of working capital

### Cash-to-cash cycle

FY19

**70 days**

FY18

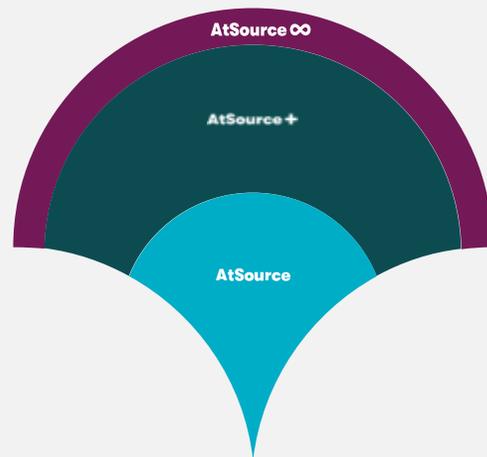
**76 days**

# Offer differentiated products/services in existing and new channels

## 3A Value-added offerings

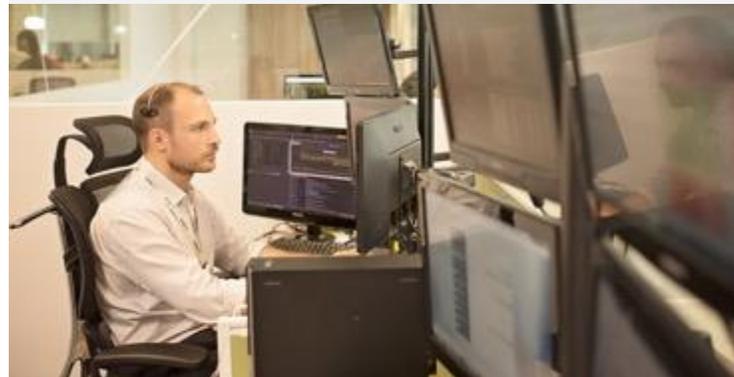
### AtSource

First of its kind comprehensive Sustainable Sourcing Solution in agri B2B market-place offering information on multiple sustainability indicators



### Risk Management Solutions

Bespoke market-price risk management intelligence, tools and solutions permitting selective participation in risk and/or reward to producers, traders, and consumers



### Value-added services

Offering certified/verified raw materials, organic certification, customised grades and quality



# Offer differentiated products/services in existing and new channels

## 3A Value-added offerings

### Ingredients specialists

Capturing higher value by taking our processing capabilities further and transforming products to ingredients



### Product innovation

Becoming the innovation partner of choice for our customers by leveraging scale and consumer insights



# Capitalising on growing customer segments and channels

## 3B Generate revenues via new customer segments & channels

### Co-manufacturing

Meeting increasing customer demand for co-manufacturing their brands



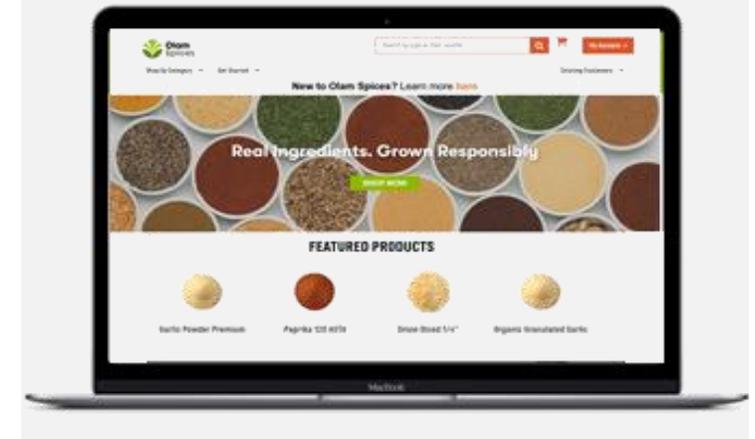
### Food service

Meeting increasing consumer demand for out of home consumption, with focus on health and wellness, and sustainable offerings



### E-commerce

Offering omni-channel access and reducing cost to serve customers



# New engines for growth



## 4 Explore investments in new engines for growth

B2C Purpose brands

Farmer Services Platform

Controlled Environment  
Agriculture

Environmental Footprinting  
& Solutions app

Land tokenisation and  
carbon trading

### Criteria for Engine 2 initiatives:

- **Aligned to our purpose** – addressing agri and food-industry disruptions
- **Material opportunity** – large enough opportunities that can become new engines of growth for Olam in the 6 year planning cycle time-frame
- **Counterpoint to the core business** – higher margin, lower volatility / cyclicity, lower capital intensity
- **Leveraging Olam's core strengths and unique assets** (including **digital & sustainability advantage**)
- **Smart investing** rather than asset-heavy capital led models

# Strategic priorities and roadmap

## Key enablers



## A Build **Operational Excellence** as a core competency

### Well-structured management systems



- Metrics that matter (standardise, with flexibility to nuance)
- Intuitive and timely dashboards
- Management review routines

### Continuous Improvement Engine



- Set targets on all key metrics through all business cycles (benchmarking/sharing both internal & external best practices across the organisation)
- Automate process for efficiency

### Execution discipline & culture



Create an obsession and pride for delivering excellence in execution by...

- Embedding the management system to all profit centres
- Establishing strong sponsorship spine



## c Digitalising Olam

The digital transformation of our Company continues at an accelerated pace across 3 areas – Olam Direct, Olam Inside and Olam Forward.

### Olam Direct

- Digital Origination
- OFIS
- Olam Traceability
- Digital Warehouse
- Digital Procurement



### Olam Inside

- AtSource
- E-Commerce



### Olam Forward

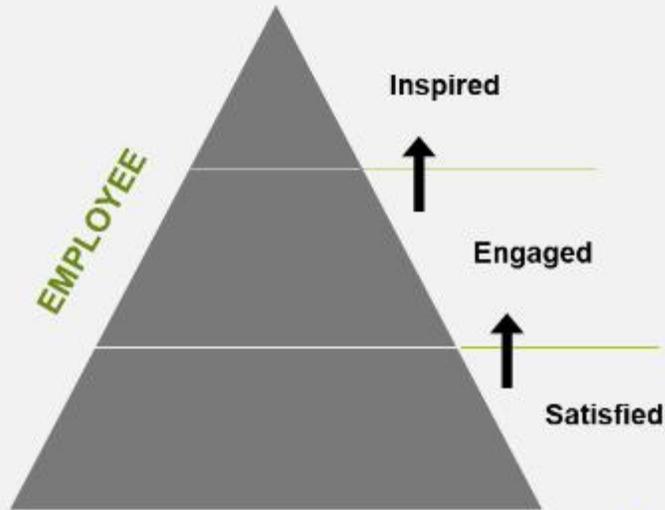
- Smart Factories
- Smart Farms
- E-Trade Finance



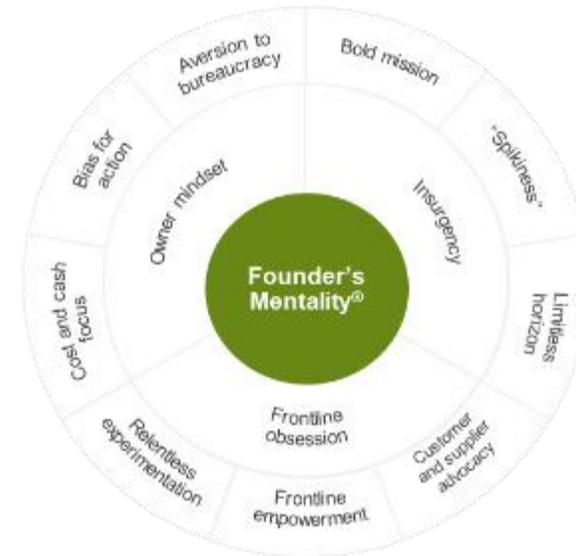
# Key enablers

**D Leadership & Talent:** We want to continue building an inspired team

## Inspiring our team



## Founder's Mentality<sup>®</sup>



# Beyond Strategic Plan:

We are re-organising Olam's business to unlock long term value



## Olam International (OIL)

### 1) Stewardship

- Hold OFI & OGA
- Parenting advantage (ensure continuity of the “Olam Way”, execute cross-cutting initiatives across the Olam Group)
- Provide shared service to OFI & OGA to optimise synergies

### 2) Accelerator

- Nurture gestating businesses to full potential (Packaged Foods Business, Infrastructure & Logistics, Olam Palm Gabon)
- Incubate new engines for future growth
- Exit non-core / de-prioritised businesses & assets, and redeploy capital for growth



## Olam Food Ingredients (OFI)

- Industry-leading businesses offering sustainable, natural, value-added food ingredients which are “on-trend”
- Comprises Cocoa, Coffee, Nuts, Spices & Dairy



## Olam Global Agri (OGA)

- Differentiated global agri-business with unique focus on high-growth emerging markets
- Comprises Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton, Commodity Financial Services



# Olam Food Ingredients

A global leader offering sustainable, natural, value-added food ingredients, so consumers can enjoy the healthy and indulgent products they love

A complementary & differentiated “on-trend” portfolio anticipating & meeting consumer food choices

Imaginative experts tailoring solutions in partnership with our customers

Global value chain presence from our own farms / farm-gate origination for transparent & sustainable sourcing, to adaptive manufacturing solutions



# Olam Food Ingredients

## Transforming ourselves to strengthen cross-cutting capabilities



### Shared customers

New approach to cross-business key account management for food manufacturers, retailers, food service, and e-commerce customers



### Centralised Product Development & Innovation

Building integrated centres of excellence for product development, applications and solutions



### Private label / Co-manufacturing

Manufacturing downstream / packaged food for retailers, brand owners and food service



### Farmers / farm-gate presence

Upstream operations in selective crops. Boots-on-the-ground at farm gate all year round



### Unified digital channels

1st mile: Digitising multiple supply chains on common Apps

Last mile: Combining cross-business e-commerce initiatives, deliver fulfilment & capability and digital marketing



### Sustainability

Clear sector leadership in sustainability exemplified by AtSource, the most comprehensive B2B sustainable sourcing platform

# Olam Food Ingredients

## Approach to strategy



**Vision:** A global leader offering **sustainable, natural, value-added food ingredients**, so consumers can enjoy the **healthy & indulgent** products that they love



**Focused portfolio:** Leadership positions across **complementary product groups**; delivering to **common customers** globally from multi-national food brands to large retail chains to foodservice outlets; **combining distribution channels and capabilities** to provide **innovative cross category solutions** for bakery & confectionery, healthy snacking; etc.



**Integrated, traceable & sustainable, food ingredient solutions:** by combining a **Unique configuration** of Olam managed estates; a 3.5 million strong **smallholder farmers** network; state-of-the-art **manufacturing facilities** in both origin and destination markets; **plant science, product development & innovation** capabilities; etc



**Operating model:** **Agile, customer-centric and collaborative**, with **accelerated investments** in **Innovation** and **Go-To-Market capabilities**. Continued focus on **operational excellence, cost and capital discipline, sustainability** and **digital** to drive **effective execution**.

## Olam Global Agri

Unrivalled leader in food, feed and fibre in high-growth emerging markets with proven expertise, processing capabilities and a global origination footprint

Deep understanding of market needs via on-the-ground presence in Asia and Africa over 30 years

Proprietary operating capabilities in global origination, processing, trading, logistics, distribution, and risk management

Fundamental strengths and strategic manufacturing assets in key destination markets



# Olam Global Agri



## Transforming ourselves to strengthen cross-cutting capabilities



### Local distribution

Significant penetration in terms of width & depth of distribution, offering cross-selling opportunities



### Freight and logistics

Sharing bulk freight management expertise across all businesses. Proficiency in operating critical emerging ports



### Trading & Risk Management

Proprietary knowledge and insight through shared research and best practice, and real-time risk management



### Consumers

Providing fortified, nutritious & affordable food, and knowing how to cater to the changing preferences of convenience food and shift in dietary habits to more protein consumption



### Global origination

A network of procurement offices strategically located in key growing origins



### Licence to operate

Co-operating with governments to meet their national food security agenda.

Managing all stakeholders, including governments, communities, suppliers holistically.

# Olam Global Agri

## Approach to strategy



- OGA will focus on continuing to build its market leading and differentiated global food, feed and fibre agri-business with a particular focus on emerging markets.
- Compared to most of our peers, OGA has a superior growth and return profile with significantly less asset intensity and an advantaged cost and competitive position.
- We expect to see strong profitable growth from the investments made in the recent past in the underlying businesses in OGA,
- OGA will also continue to selectively invest in targeted growth initiatives in its priority platforms and markets, including doubling down on our core Grains, oilseeds, freight origination & merchandising business, integrated cotton ginning and large grower cotton buying model, destination Grains processing and milling business and downstream branded Rice distribution

# Olam International

Parent company of OFI and OGA with a key role to unlock the full value of the Olam Group by providing active stewardship to the new operating groups and accelerating growth

Ensure continuity of the “Olam Way”, implement cross-cutting initiatives and drive key enablers

Provide shared services to OFI and OGA to optimise synergies

Nurture gestating businesses to full potential, incubate new engines for future growth & release capital from divestments

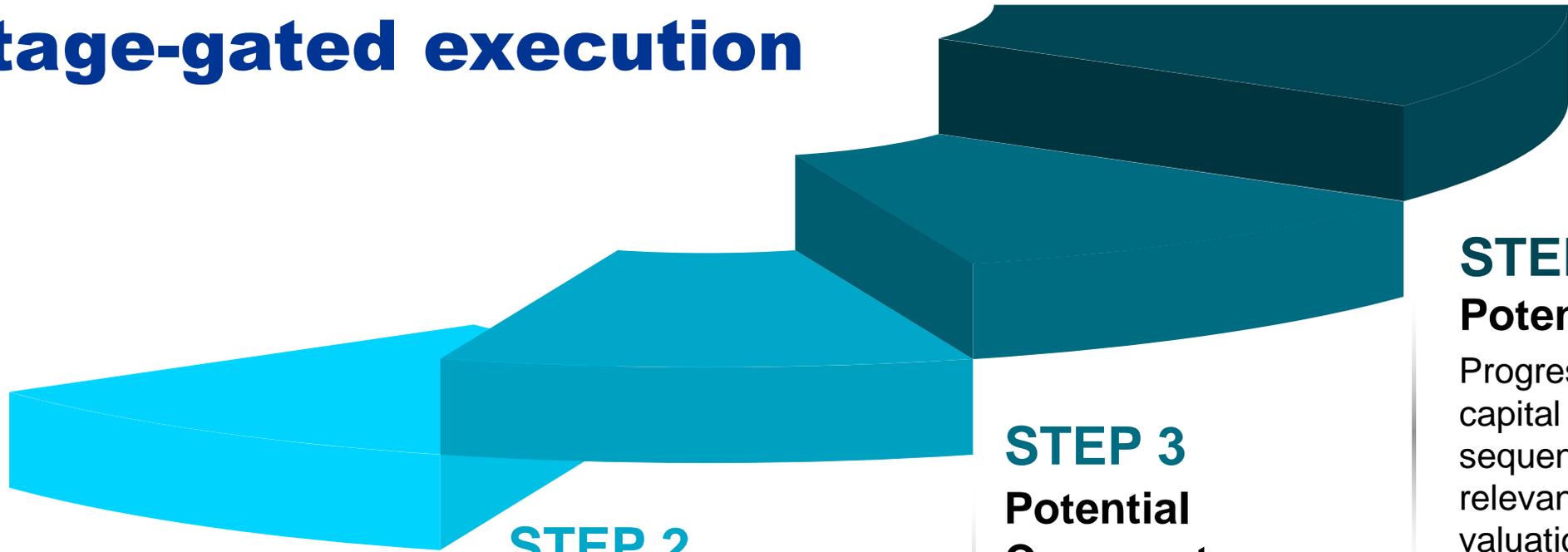


### Unlocking value for Olam Group

- As **parent company of OFI and OGA**, OIL plays a key role to unlock the full value of the Olam Group by:
- **Providing active stewardship** to the new operating groups,
- **Responsibly divesting** the de-prioritised assets,
- **Nurturing** gestating businesses to full potential,
- **Incubating** new engines for future growth,
- **Deploying** key cross cutting initiatives across the operating groups, and
- **Providing** shared services to the new operating groups.



# Stage-gated execution



## STEP 1

### Re-segmentation

Re-segment the current business into two new operating groups (OFI & OGA) under Olam International

**Completed**

## STEP 2

### Re-organisation

Re-organise the Company with dedicated leadership & management teams for each of the operating groups (H1 2020)

Report financials and key performance metrics for each operating group (H1 2020)

**Completed**

## STEP 3

### Potential Carve-out

Engage with investors, and explore / evaluate potential sequential carve out of OFI and OGA

## STEP 4

### Potential IPO

Progress with potential capital raise/ IPO listing on a sequential basis in the relevant market, if key valuation and related conditions are met

Accelerate growth over and above the Strategic Plan

# We have made good progress in executing the Re-organisation Plan



**Senior management and executive teams** for the respective operating groups have been appointed



**Operating and Organisational Model Design** – Initial hypothesis established, including the country / regional structure and corporate functions design.



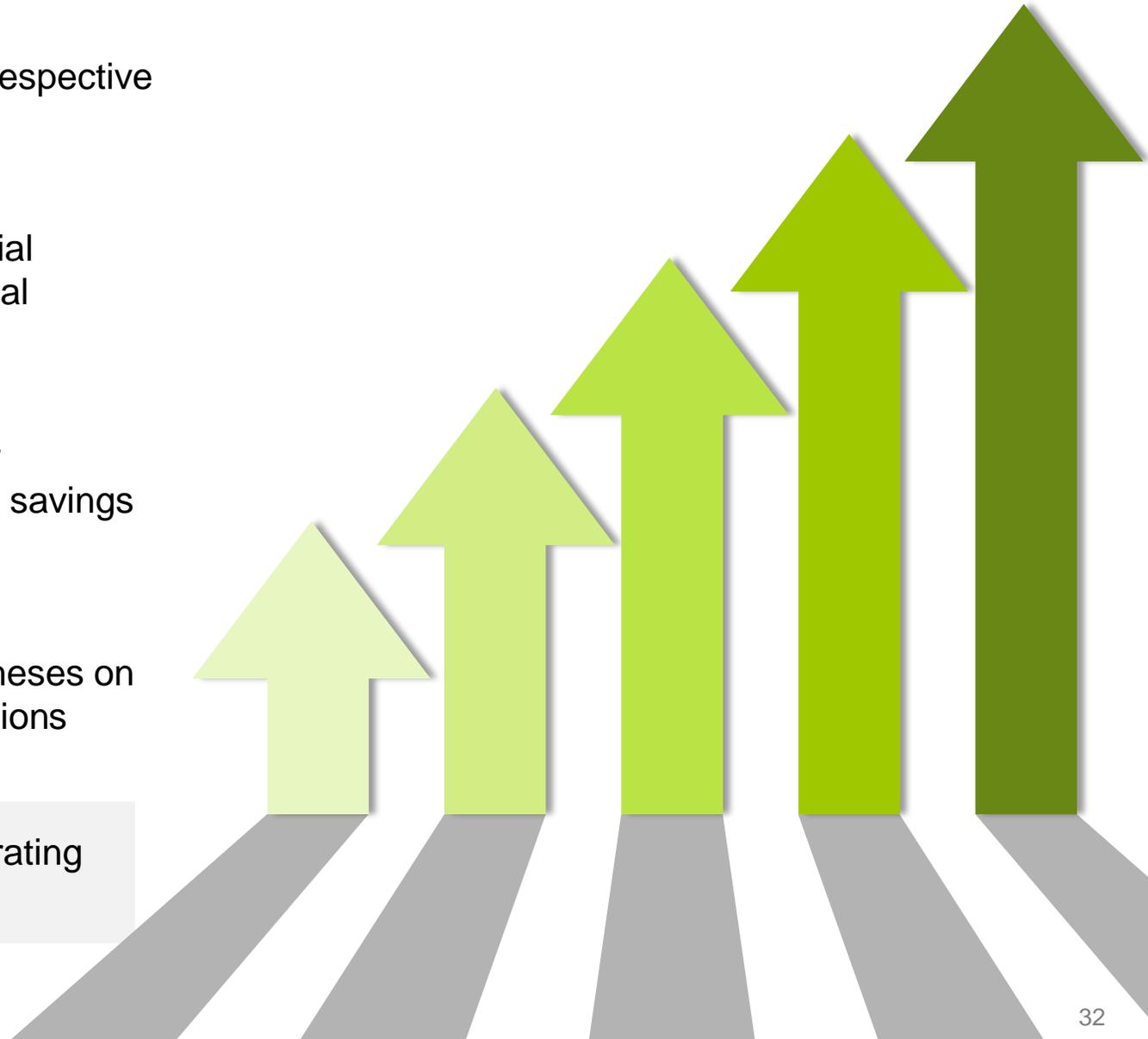
**Cost and Capital Transformation** – Detailed review conducted across businesses over Jun-Jul to identify savings potential by cost buckets and operating group



**Functional workstreams** – Established initial hypotheses on functional structures and assessment of cost implications



**H1 2020 reporting** – Segments and metrics per operating groups have been established.



# Changes in segmentation and metrics



Strong alignment to the business strategy of each operating group

## Operating Groups

### Strategic Positioning

### Segments

OFI

A global leader offering sustainable, natural, value-added food ingredients, so consumers can enjoy the healthy and indulgent products they love

- 1 **Ingredient Sourcing & Supply Chain:** Tracks sustainable farming, sourcing to factory gate delivery of first to last mile fulfilments
- 2 **Value-added Food Ingredients & Solutions:** Reflects OFI's increasing focus as an on-trend, value-added food ingredient solutions provider

OGA

A market leading and high return Food, Feed and Fibre agribusiness focused on high growth emerging markets

- 1 **Food & Feed - Origination & Merchandising:** Reflects OGA's focus on meeting the growing food and feed consumption in emerging markets
- 2 **Food & Feed - Processing & Value-added:** Demonstrates OGA's leadership in milling and animal protein markets in Sub-Saharan Africa
- 3 **Fibre & Ag Services:** Tracks the non-food category in Cotton and Commodity Financial Services

OIL

Provide active stewardship to OFI and OGA, nurture gestating businesses to full potential, and divest non-core businesses and assets

- 1 **De-prioritised/Exiting Assets:** Sugar, Rubber, Wood Products, Fertiliser and other de-prioritised assets identified in Strategic Plan
- 2 **Gestating Businesses:** Olam Palm Gabon, Packaged Foods, Infrastructure & Logistics business (ARISE)
- 3 **Incubating Businesses:** Engine 2 growth initiatives

# Changes in reporting segments and key performance metrics



## Operating groups

## Segments

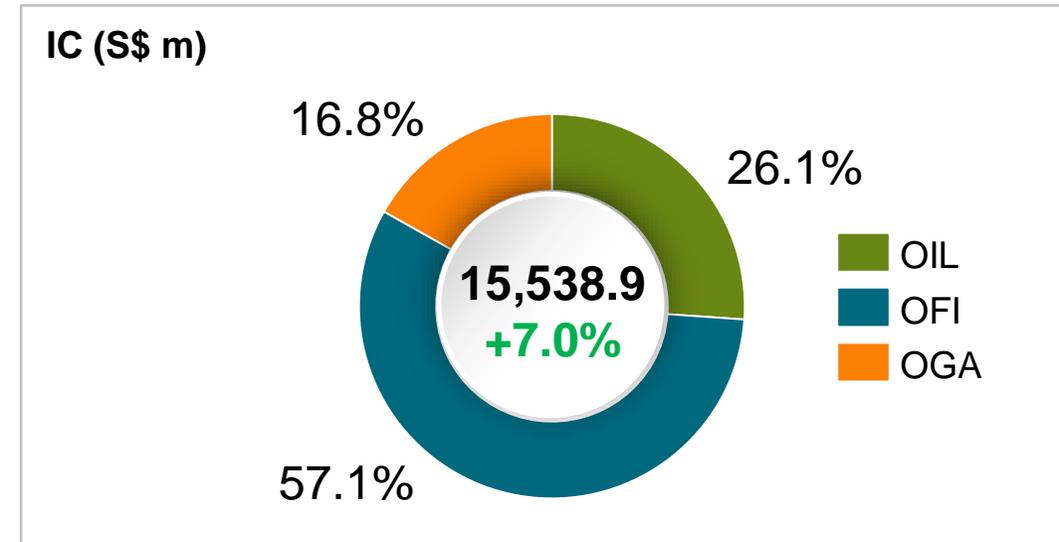
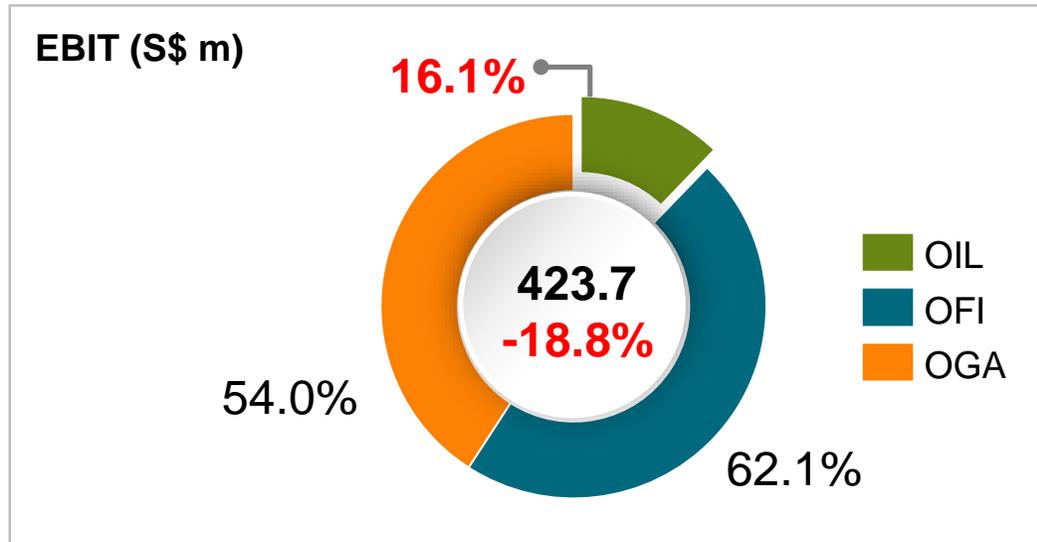
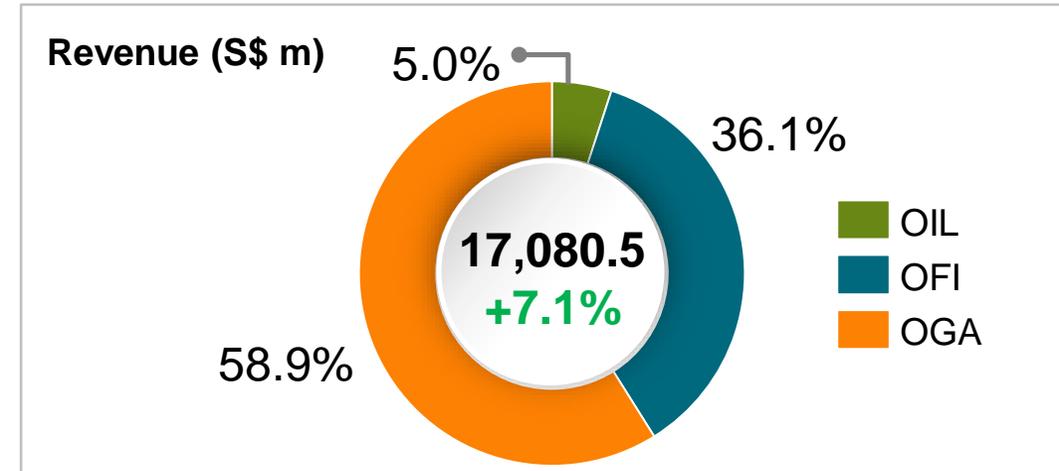
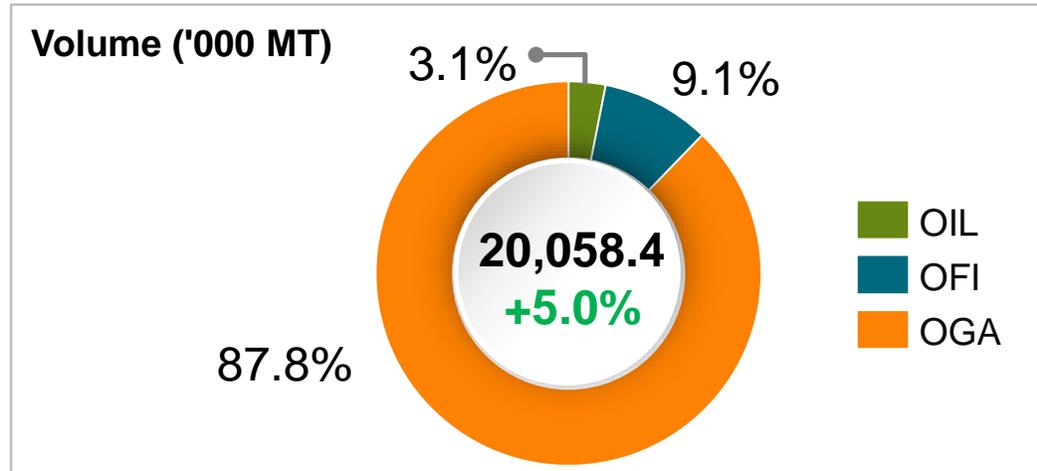
## Key performance metrics

Operating groups	Segments	Key performance metrics
<b>Olam Food Ingredients (OFI)</b>	<ol style="list-style-type: none"> <li>1) Ingredient Sourcing &amp; Supply Chain</li> <li>2) Value-added Food Ingredients &amp; Solutions</li> </ol>	<p><b>Segment-level</b> Volume, Revenue, EBIT, EBIT Margin, Invested Capital (IC), EBIT/IC</p> <p><b>Operating Group-level *</b> ROIC, ROE, FCF from Operations</p>
<b>Olam Global Agri (OGA)</b>	<ol style="list-style-type: none"> <li>1) Food &amp; Feed - Origination &amp; Merchandising</li> <li>2) Food &amp; Feed - Processing &amp; Value-added</li> <li>3) Fibre &amp; Ag Services</li> </ol>	<p><b>Segment-level</b> Volume, EBIT, EBIT per MT, Invested Capital (IC), EBIT/IC</p> <p><b>Operating Group-level *</b> ROIC, ROE, FCF from Operations</p>
<b>Olam International (OIL)</b>	<ol style="list-style-type: none"> <li>1) De-prioritised/Exiting Assets</li> <li>2) Gestating Businesses</li> <li>3) Incubating Businesses</li> </ol>	<p><b>Segment-level</b> Revenue, EBIT, Invested Capital (IC), EBIT/IC</p> <p><b>Operating Group-level *</b> ROIC, ROE, FCF from Operations</p>
<b>Consolidated Olam Group</b>		Volume, Revenue, EBIT, Invested Capital (IC), EBIT/IC, ROIC, ROE, FCF from Operations

\* To be reported post potential carve-out

# Group H1 2020 results

## Consolidated results by operating groups



# Group H1 2020 results

## At a glance



### VOLUME

*20.1 M MT*

**+5.0%**

### EBIT

*S\$424 M*

**-18.8%**

### PATMI

*S\$333 M*

**+44.4%**

### Operational PATMI

*S\$202 M*

**-18.5%**

### Free Cash Flow

*+FCFE*

**S\$827 M**

### Gearing

*from 1.28x to*

**1.29x**

# Group H1 2020 financial highlights



## Resilient results amid Covid-19

- ↑ Higher PATMI on continued execution on Strategic Plan despite lower EBIT
- ↑ Positive FCFF and FCFE



## Continues to strengthen balance sheet

- ↔ Steady cycle time despite higher net debt
- ↔ Gearing at 1.29x (H1 2019: 1.28x) well under target of 2.0x



## Executing on Re-organisation Plan

- Accomplished Step 1 and Step 2 milestones by re-segmenting the business into OFI, OGA and OIL, and appointing dedicated leadership and management teams for each of the groups
- From H1 2020, we are reporting financials across OFI, OGA, OIL for the first time



## Interim Dividend

- Board of Directors declares interim dividend of 3.5 cents per share (H1 2019: 3.5 cents)

# Group H1 2020 results: P&L statement



S\$ million

	H1 2020	H1 2019	% Change
Volume ('000 MT)	20,058.4	19,100.2	5.0
Revenue	17,080.5	15,943.9	7.1
Net gain/(loss) in fair value of biological assets	3.8	(4.0)	n.m.
Depreciation & Amortisation	(272.6)	(249.5)	9.3
<b>EBIT^</b>	<b>423.7</b>	<b>522.0</b>	<b>(18.8)</b>
Net Finance costs	(230.2)	(264.9)	(13.1)
Taxation	(28.7)	(31.7)	(9.4)
Exceptional items	130.6	(17.7)	n.m.
PAT	295.4	207.7	42.2
<b>PATMI</b>	<b>332.7</b>	<b>230.3</b>	<b>44.4</b>
<b>Operational PATMI</b>	<b>202.1</b>	<b>248.0</b>	<b>(18.5)</b>

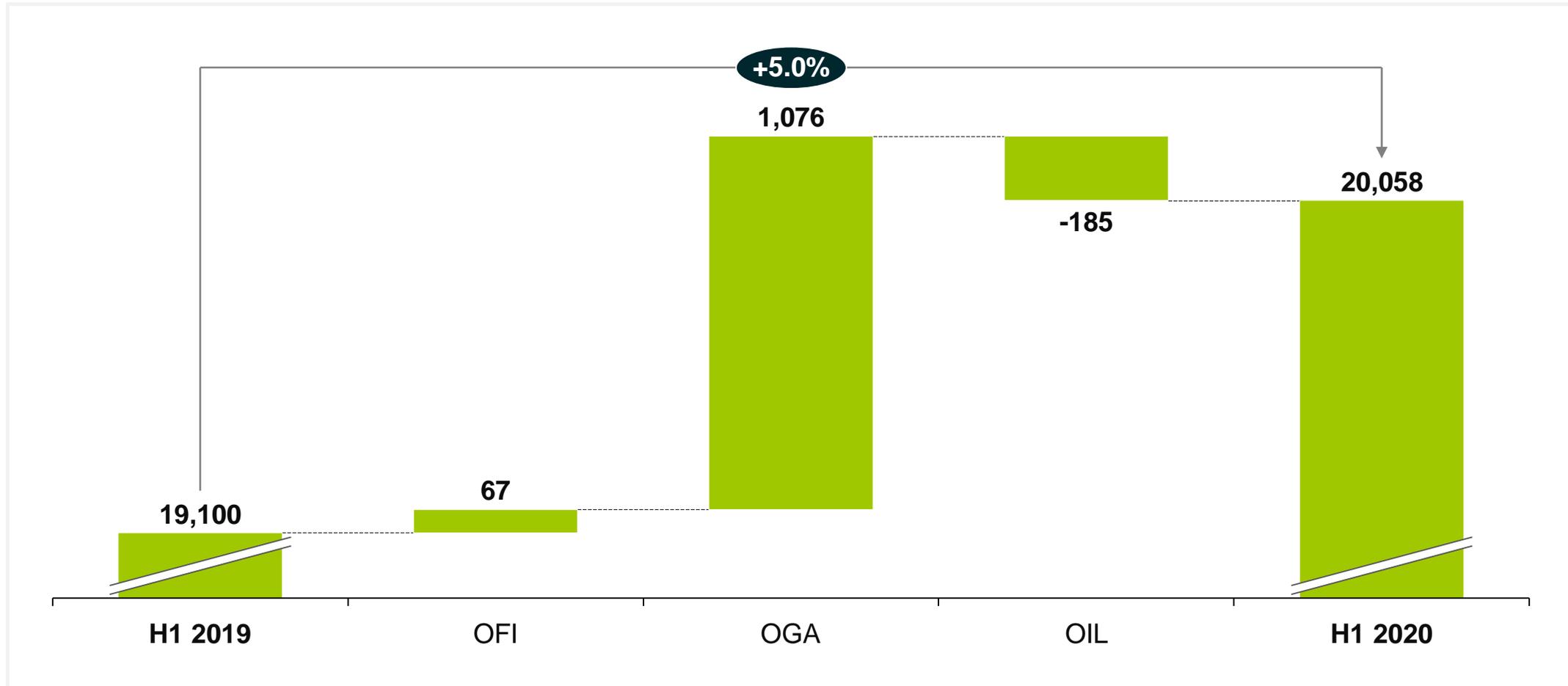
^ Excluding exceptional items

# Group H1 2020 results: Volume grew 5.0%

## Led by Olam Global Agri's Origination & Merchandising segment



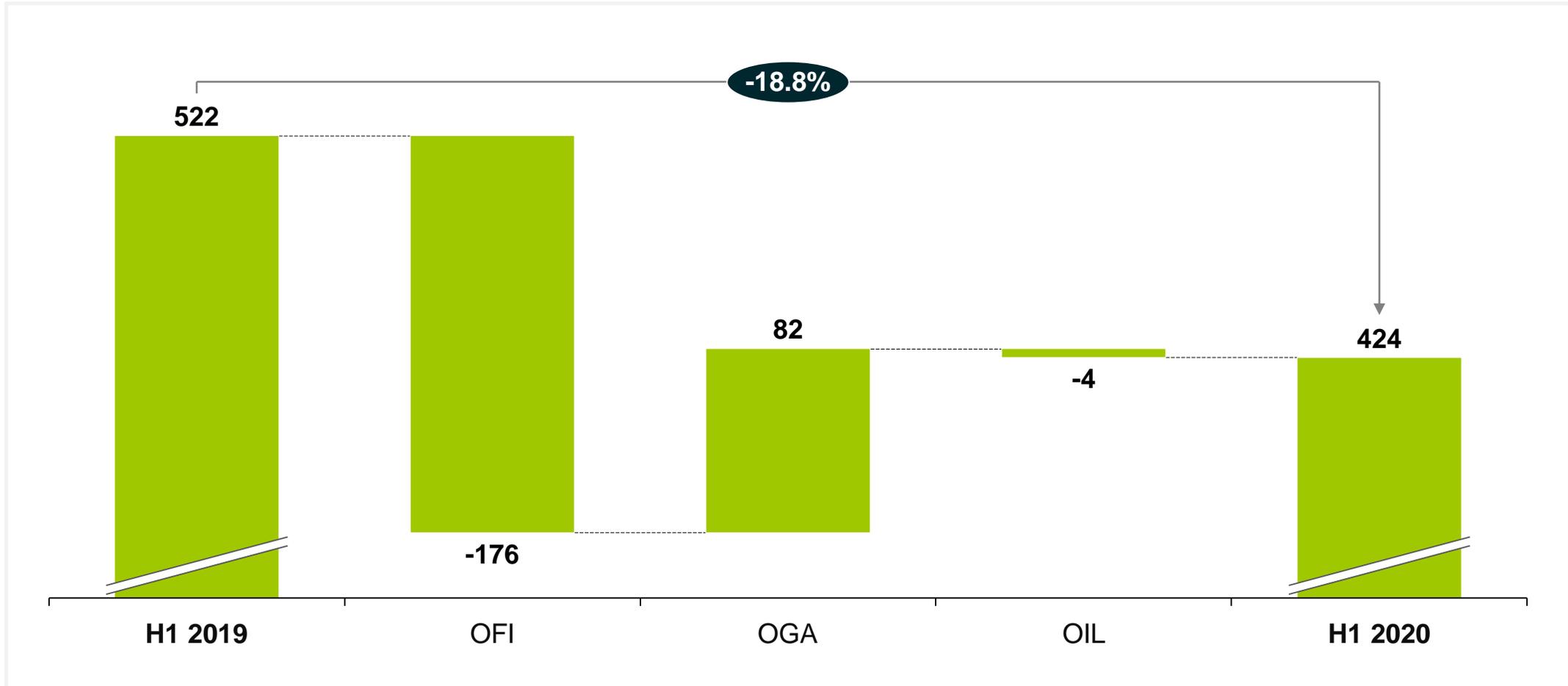
Volume by Operating Groups, '000 MT



# Group H1 2020 results: EBIT declined 18.8%



EBIT by operating groups, S\$ million

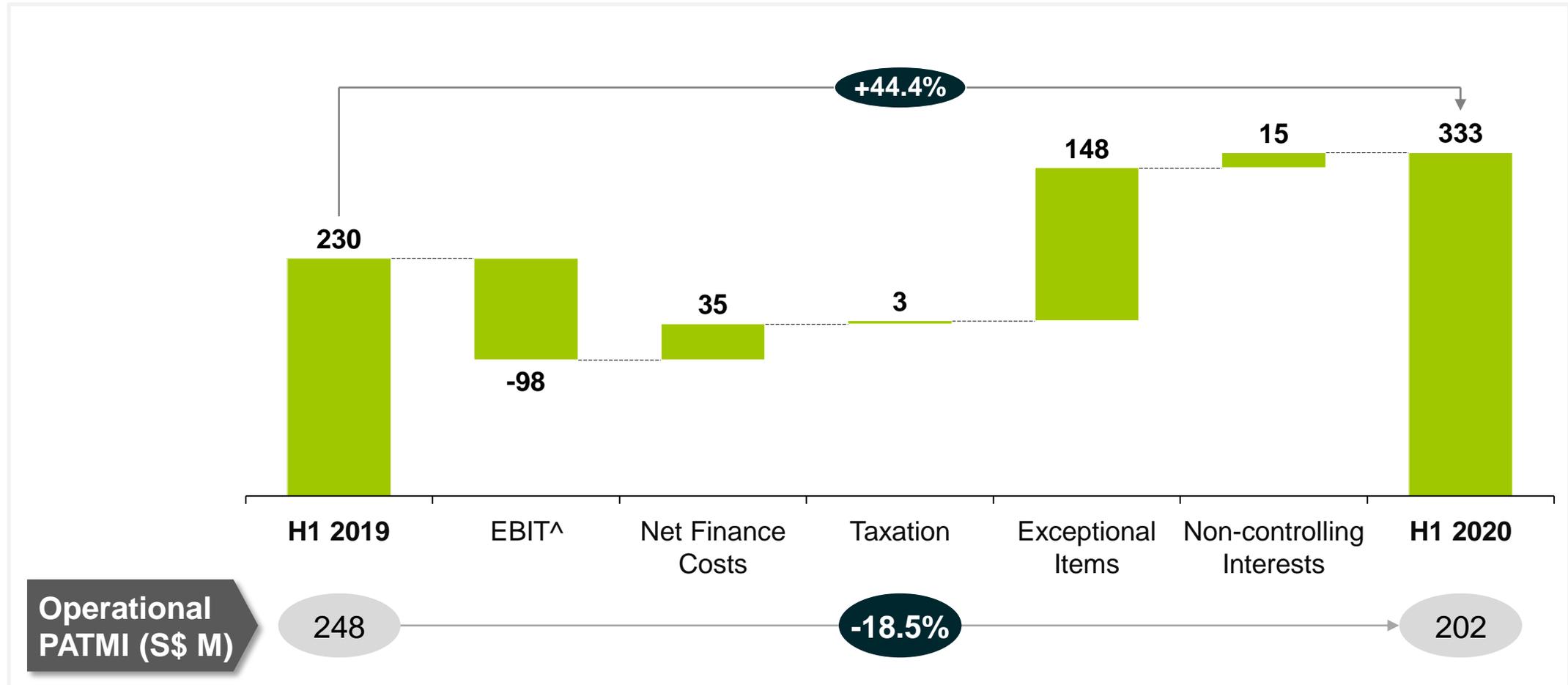


# Group H1 2020 results: PATMI grew 44.4%

## Backed by net exceptional gains on divestments



PATMI and Operational PATMI, S\$ million



<sup>^</sup> Excludes exceptional items

# Group H1 2020 results: Balance sheet



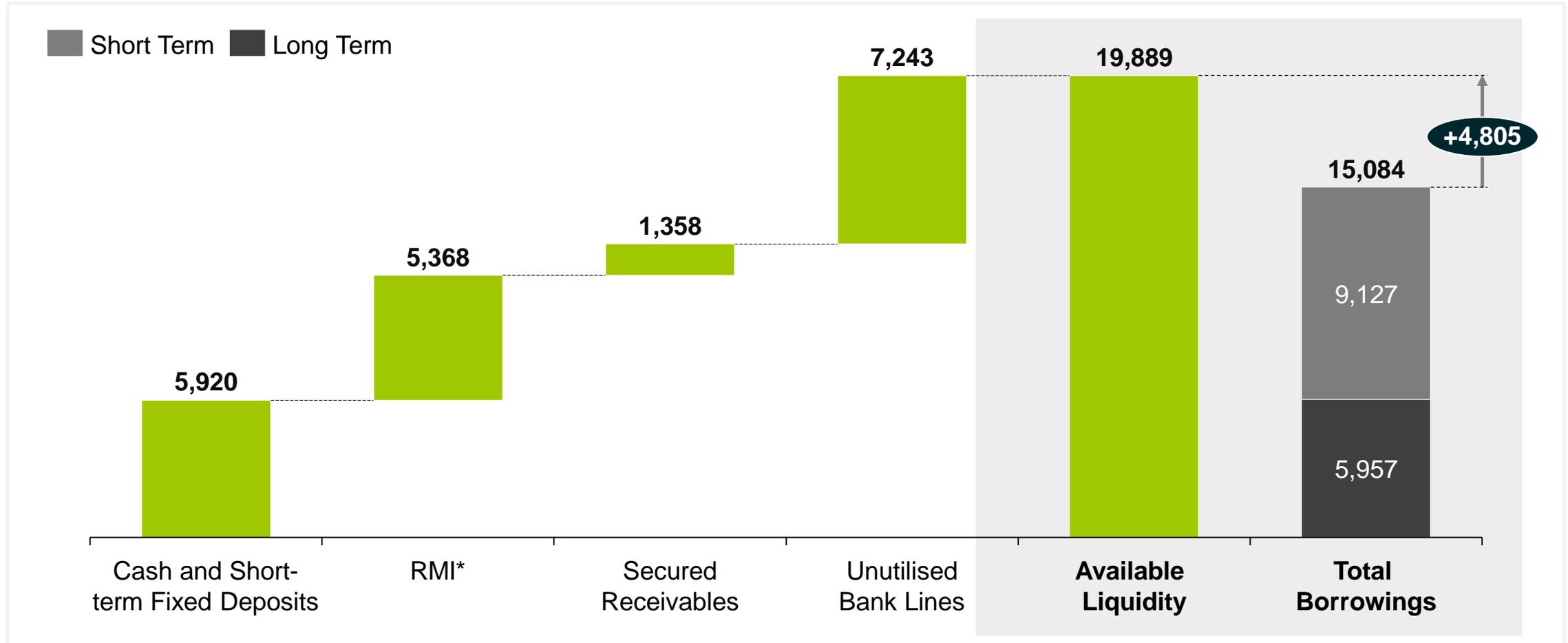
S\$ million

		30-Jun-2020	31-Dec-2019	Change vs Dec 19	30-Jun-2019	Change vs Jun 19
Uses of Capital	Fixed Capital	8,730.9	8,616.0	114.9	8,337.8	393.1
	Right-of-use assets	578.0	577.6	0.4	656.4	(78.4)
	Working Capital	6,419.4	6,627.8	(208.4)	5,757.2	662.2
	Cash	5,920.0	3,179.6	2,740.4	3,697.2	2,222.8
	Others	175.9	135.1	40.8	280.9	(105.0)
	<b>Total</b>	<b>21,824.2</b>	<b>19,136.1</b>	<b>2,688.1</b>	<b>18,729.5</b>	<b>3,094.7</b>
Sources of Capital	Equity & Reserves	7,095.1	6,836.1	259.0	6,703.7	391.4
	Non-controlling interests	72.4	108.1	(35.7)	126.7	(54.3)
	Short term debt	9,040.7	6,675.5	2,365.2	5,043.8	3,996.9
	Long term debt	5,522.1	5,403.4	118.7	6,565.9	(1,043.8)
	Short term lease liabilities	86.4	82.0	4.4	81.5	4.9
	Long term lease liabilities	434.6	435.1	(0.5)	581.4	(146.8)
	Fair value reserve	(427.1)	(404.1)	(23.0)	(373.5)	(53.6)
	<b>Total</b>	<b>21,824.2</b>	<b>19,136.1</b>	<b>2,688.1</b>	<b>18,729.5</b>	<b>3,094.7</b>

# Group H1 2020 results: Ample liquidity



Total borrowings and available liquidity, S\$ Million as at June 30, 2020



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

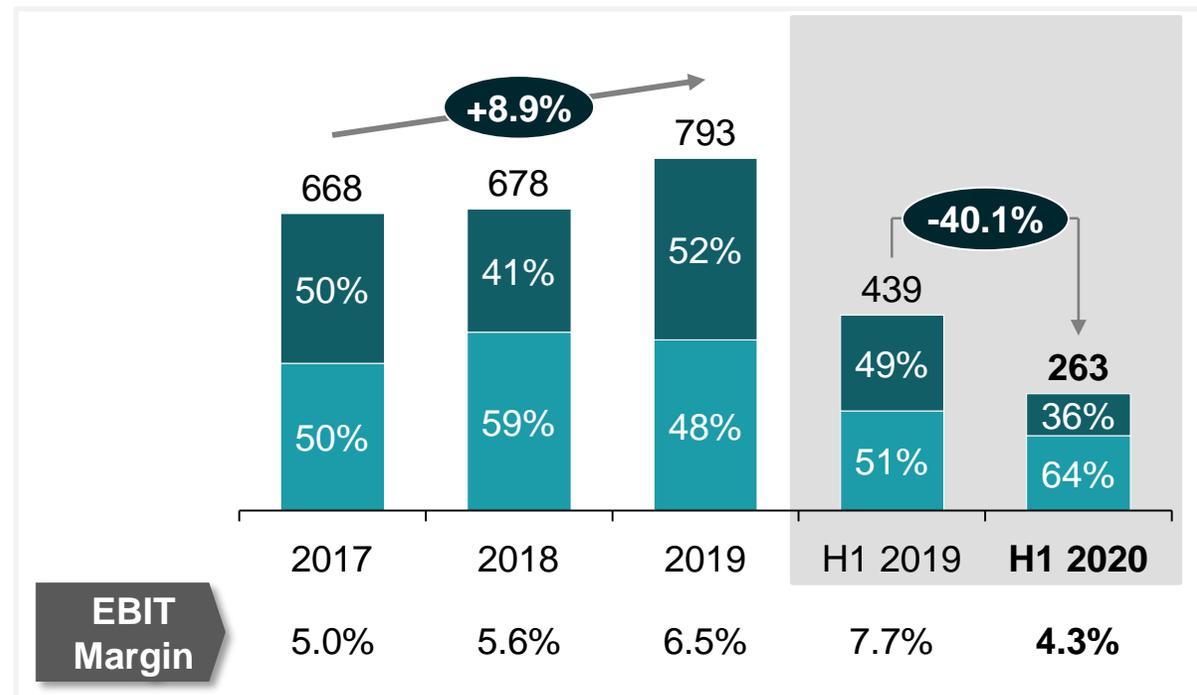
# Olam Food Ingredients (OFI)



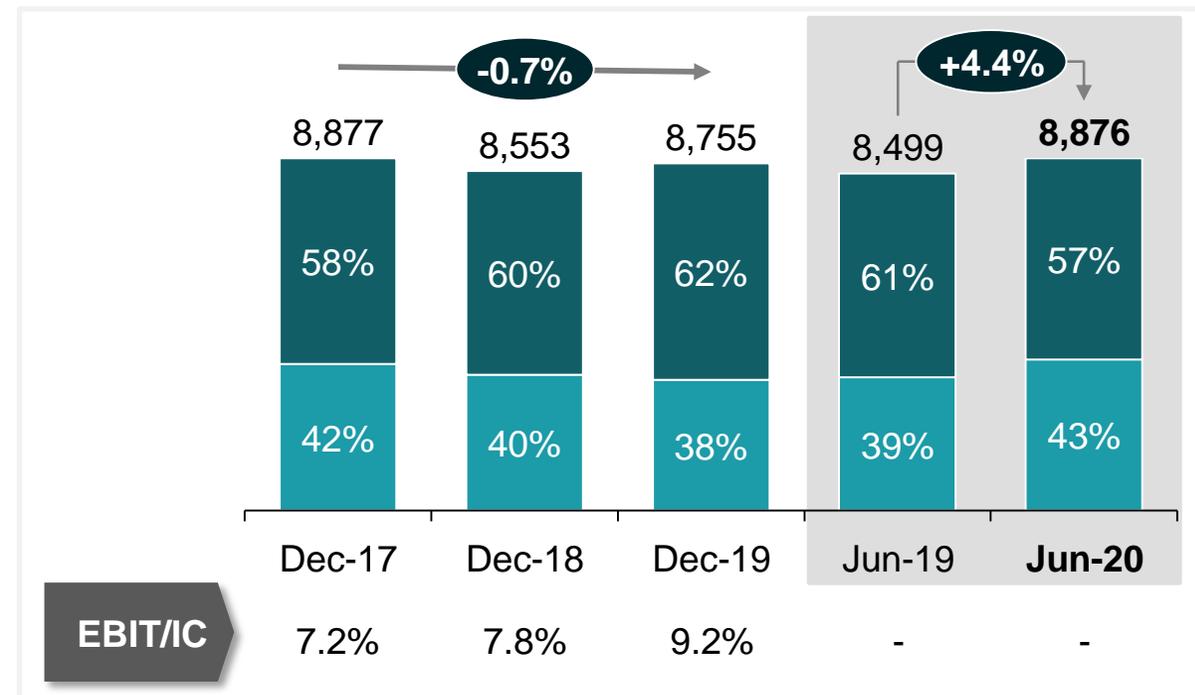
S\$ Million

■ Ingredient Sourcing & Supply Chain ■ Value-added Food Ingredients & Solutions

## EBIT



## Invested Capital



- Performance in 2019 was particularly skewed towards H1 2019 with strong performances within the Nuts and Spices businesses as compared to the usual seasonality, against which **OFI reported a 40.1% lower EBIT in H1 2020**. We expect H2 2020 to consequently recover and show better results as compared to both H2 2019 and H1 2020.

- Almonds, Hazelnuts and the Cocoa processing businesses were also adversely impacted on account of adverse prices and margin pressures resulting from Covid-19

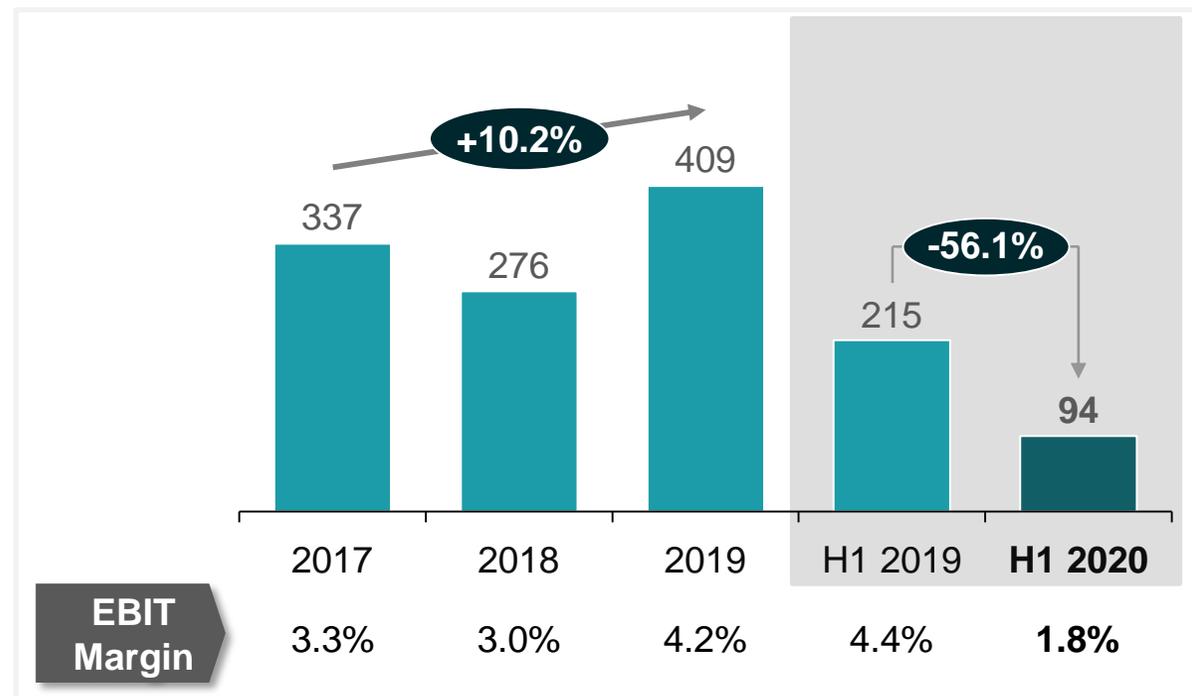
- IC grew by S\$377 million in H1 2020** on higher investments in Value-added Food Ingredients & Solutions.

# OFI: Ingredient Sourcing & Supply Chain



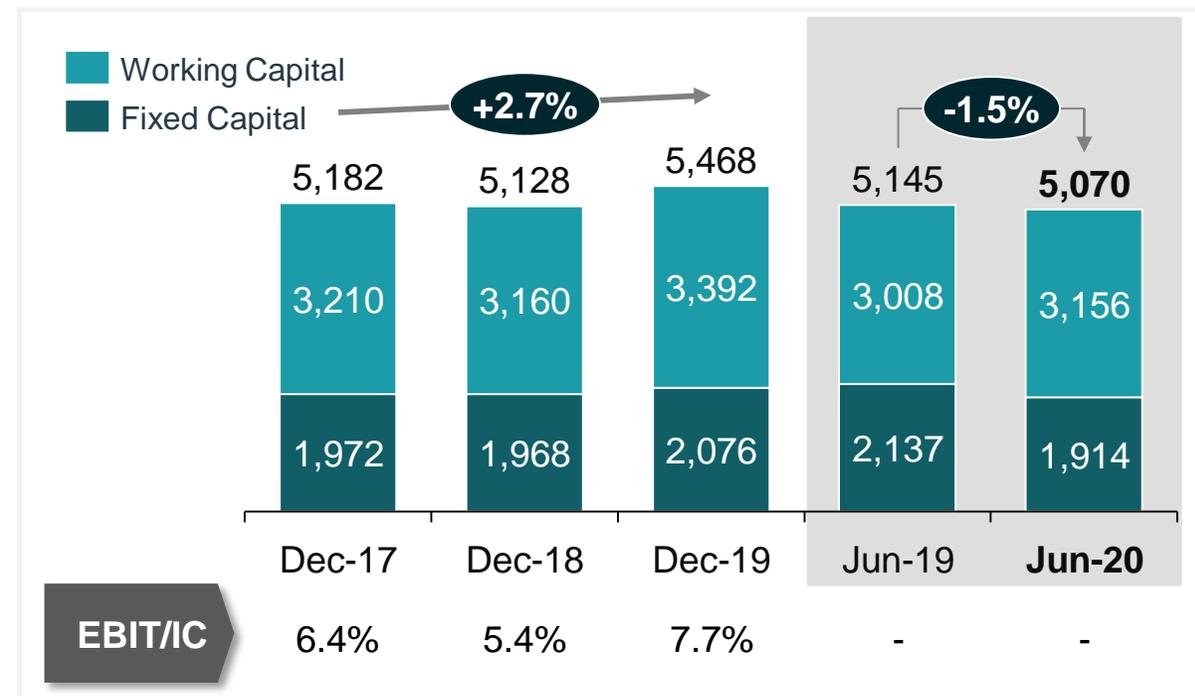
S\$ Million

## EBIT



- **EBIT declined by 56.1% in H1 2020** due to lower contribution from Almonds upstream operations, which were impacted by lower almond prices that fell almost 30% between H1 2019 and H1 2020. The Australian operations were also affected by increase in temporary water cost which impacted the 2020 crop. The water prices have now adjusted back to normal levels for the new water year.

## Invested Capital

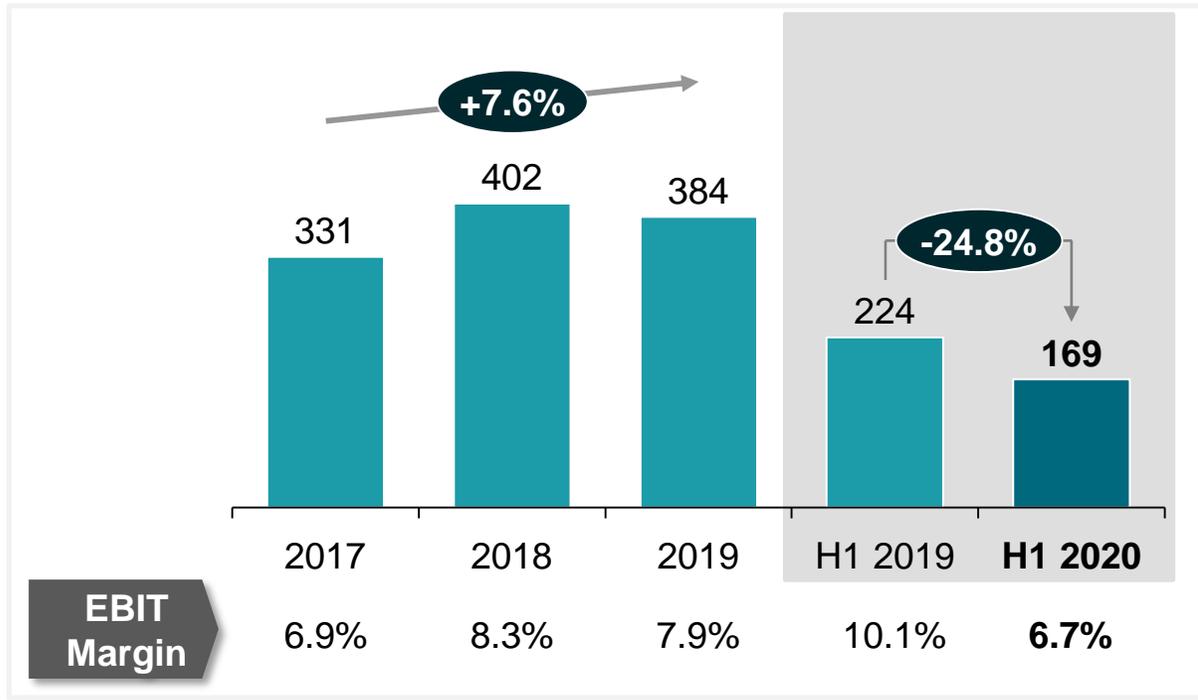


- **IC marginally lower in H1 2020** as fixed capital decreased with the sale of permanent water rights for almonds in Australia, partly offset by an increase in working capital due to higher inventories of cocoa, coffee beans and almonds.

# OFI: Value-added Food Ingredients & Solutions Olam

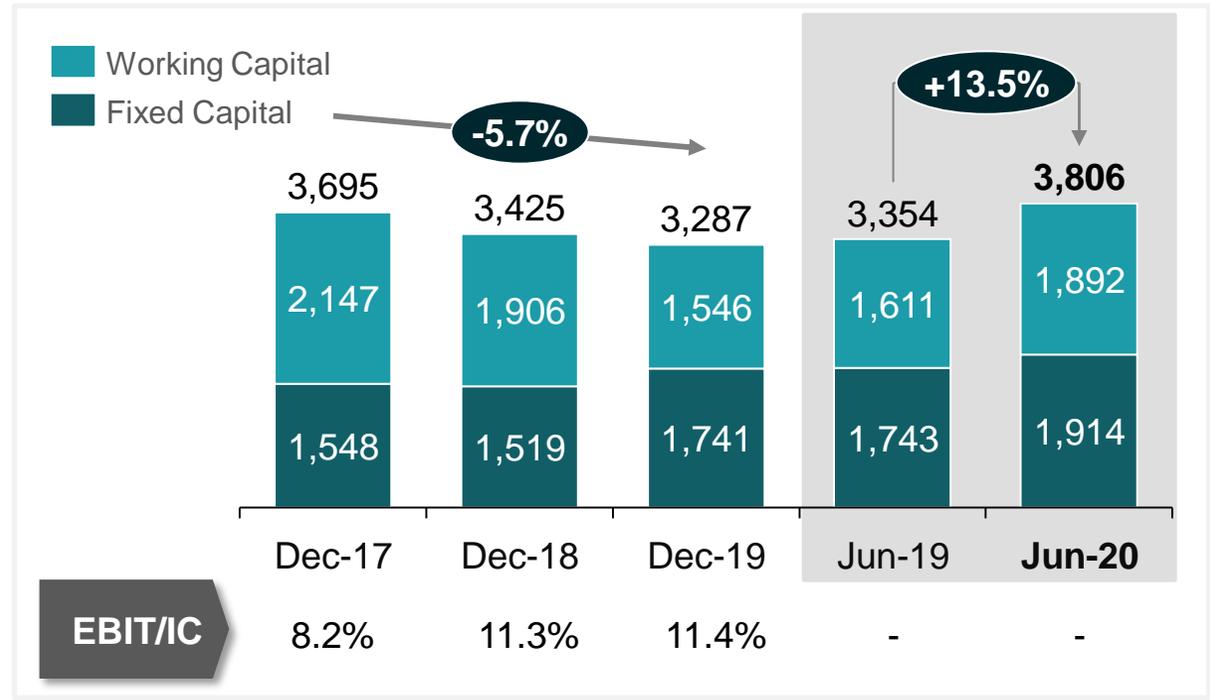
S\$ Million

## EBIT



- **EBIT declined by 24.8% in H1 2020** due to demand contraction, delayed pulls by customers, and/or higher costs on account of slowdown or shutdowns at some manufacturing facilities due to Covid-19.
- Hazelnuts, Cocoa Processing and Soluble Coffee saw an adverse impact on their margins in H1 2020, partly compensated by improved EBIT from Almond, Peanuts and Spices processing in the US, as well as Dairy processing in Malaysia.

## Invested Capital



- **IC increased by S\$451.9 million in H1 2020** on both fixed and working capital.
- Fixed capital grew with acquisition of HNI and investments to expand the Spices grinding factory in Vietnam and Dairy processing capacity in Malaysia.
- Working capital increased as a result of delayed shipments, leading to a build-up of inventory.

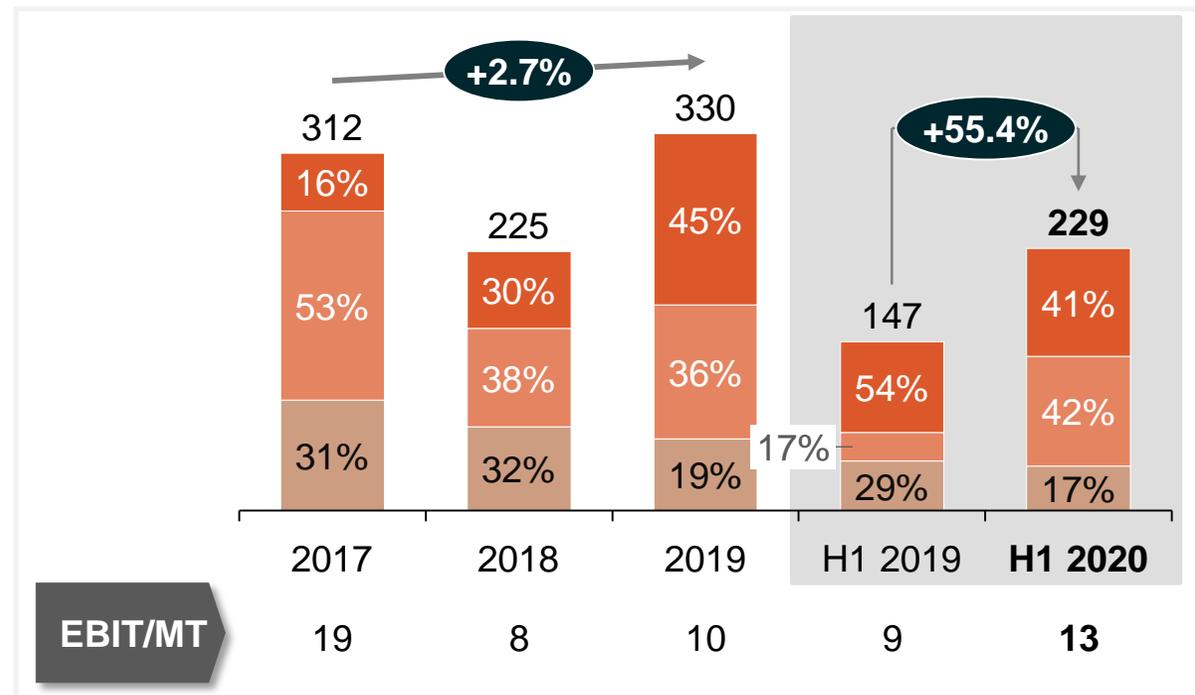
# Olam Global Agri (OGA)

S\$ Million



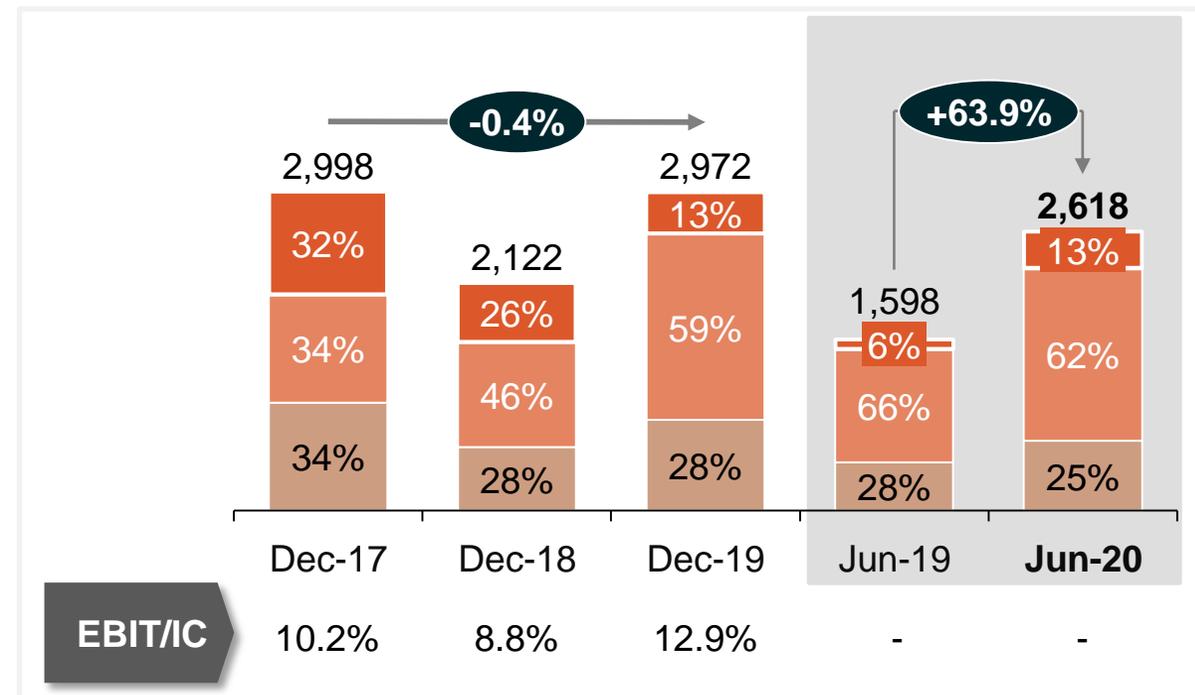
■ Food & Feed - Origination & Merchandising 
 ■ Food & Feed - Processing & Value-added 
 ■ Fibre & Ag Services

## EBIT



- **EBIT grew by a robust 55.4% in H1 2020** on higher contribution from the Food and Feed segments, particularly the Food & Feed - Processing & Value-added segment.

## Invested Capital

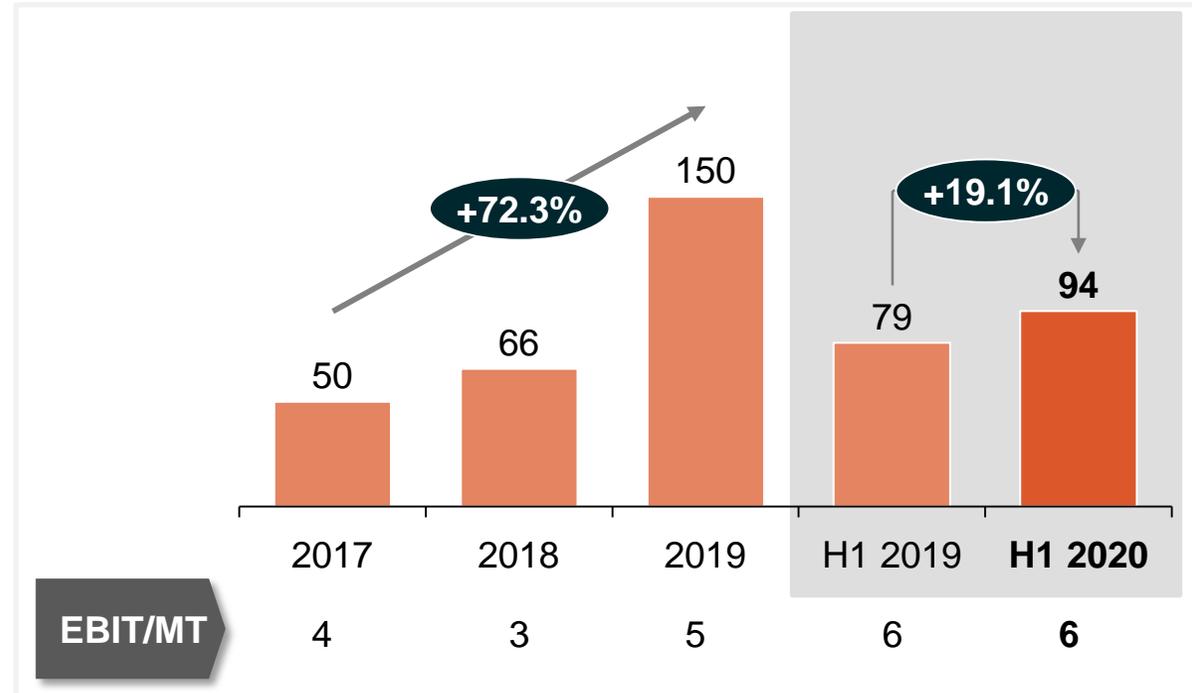


- **IC was up by S\$1.0 billion in H1 2020** with the largest increase seen in the Food & Feed - Processing & Value-added segment.

# OGA: Food & Feed - Origination & Merchandising Olam

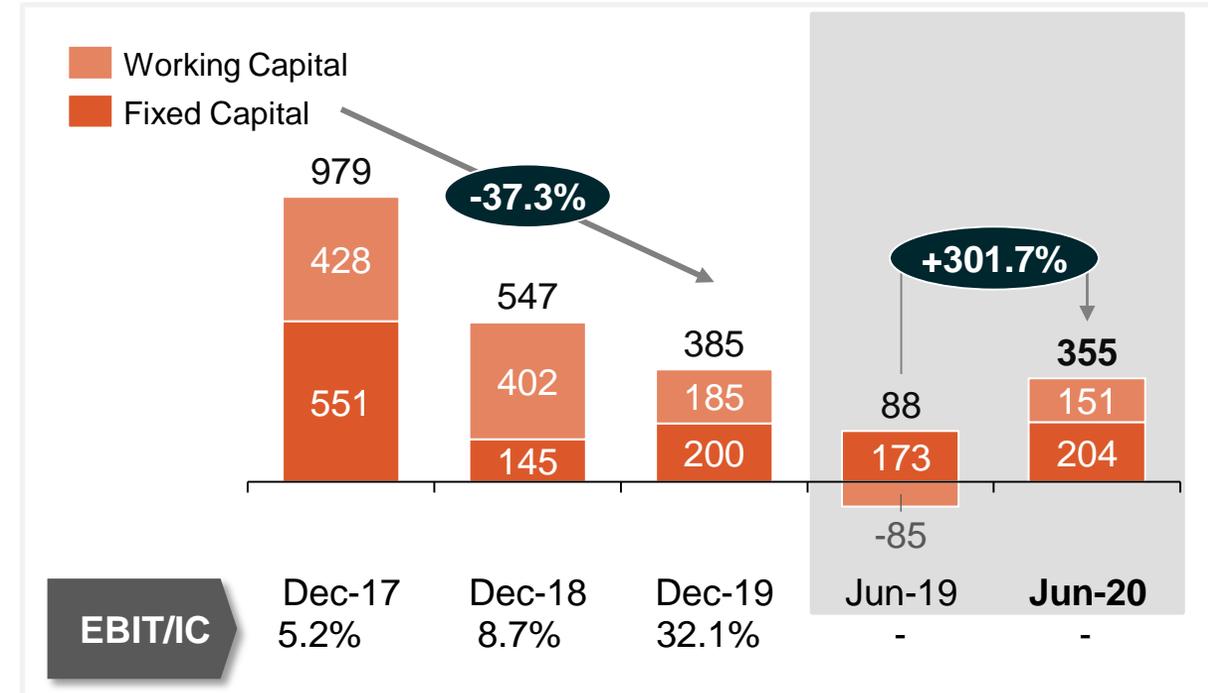
S\$ Million

## EBIT



- **Healthy EBIT growth of 19.1% in H1 2020** mainly due to Grains trading. Rice trading's contribution was lower than H1 2019 owing to the ban on rice imports into Cote d'Ivoire, which was lifted towards end-H1 2020. Contribution from Edible Oils trading declined as counterparty performance was impacted by the fall in edible oils prices.

## Invested Capital

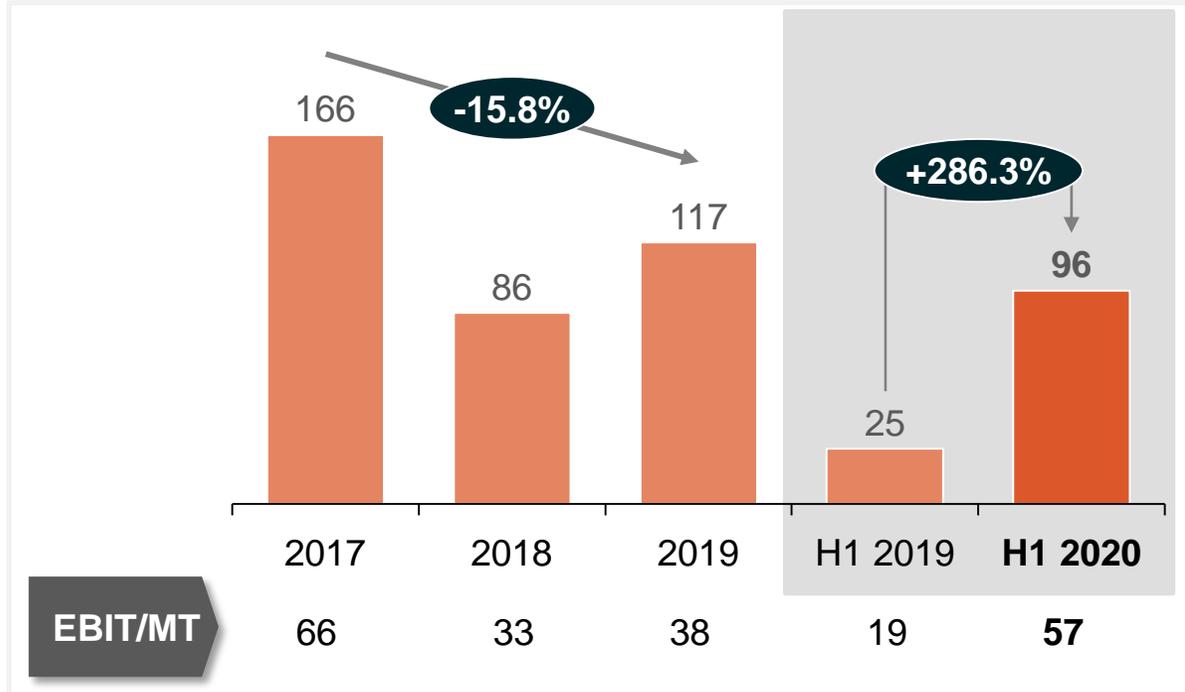


- **IC increased by S\$266.4 million in H1 2020** with higher fixed capital due to the ongoing Capex commitments.
- Working capital was up due to reduction in trade creditors arising from a change in business mix that saw lower Rice and Edible Oils bulk trading volumes.

# OGA: Food & Feed - Processing & Value-added Olam

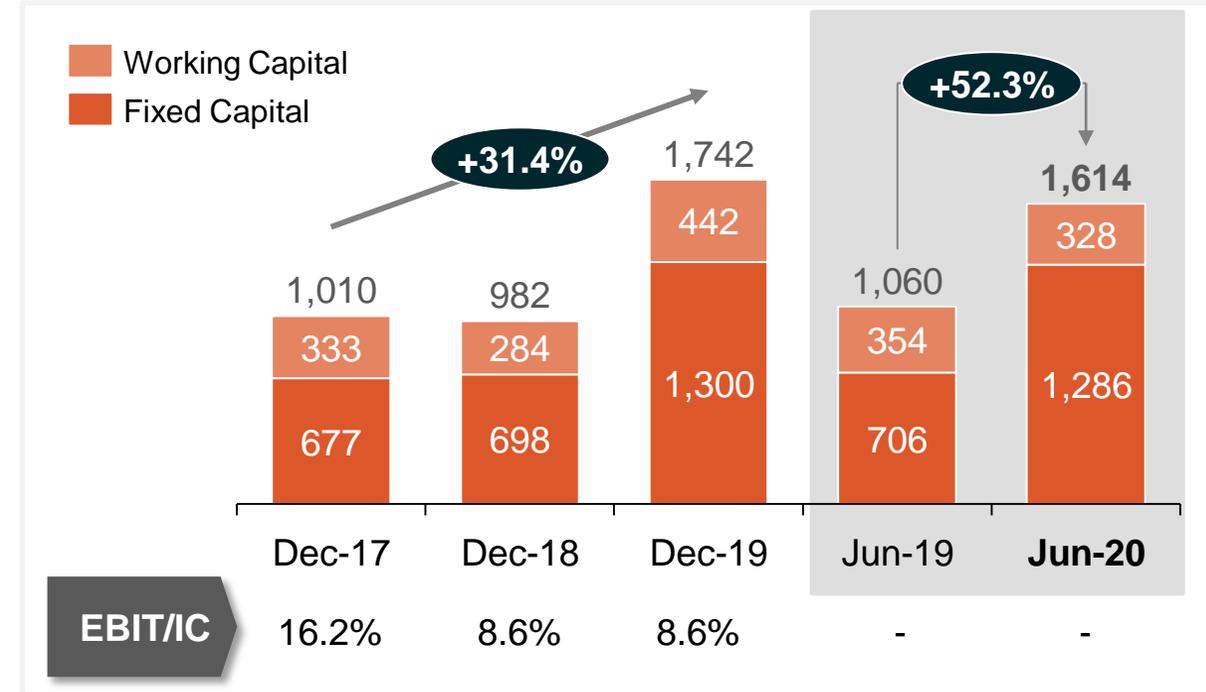
S\$ Million

## EBIT



- **EBIT was up nearly four-fold in H1 2020** on strong improvement in Grains milling post the acquisition of DFM, as well as in Animal Feed production and branded, packed Rice distribution in Africa.
- Consistent milling margins and improved animal feed margins raised EBIT/MT from S\$19 to S\$57 in H1 2020.

## Invested Capital



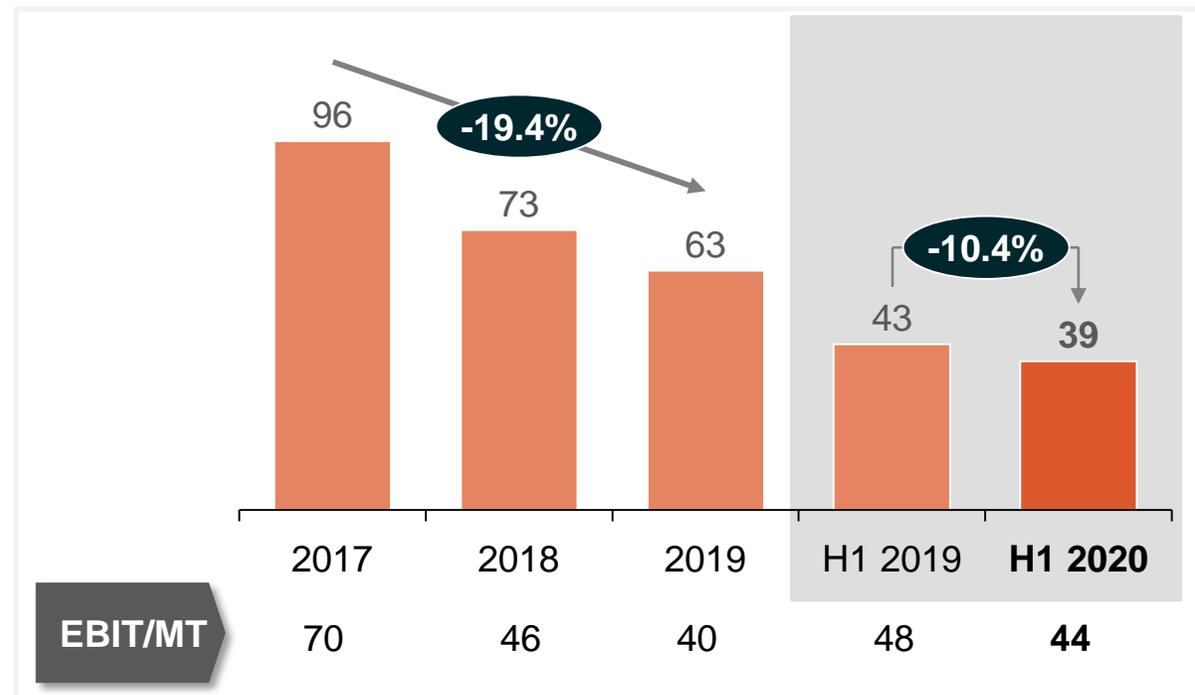
- **IC rose significantly by S\$554.2 million** on higher fixed capital mainly due to the acquisition of DFM.
- Despite higher sales volumes, working capital remained flat due to tighter inventory and receivable norms amid the Covid-19 outbreak that had impacted the industry.

# OGA: Fibre & Ag Services

S\$ Million

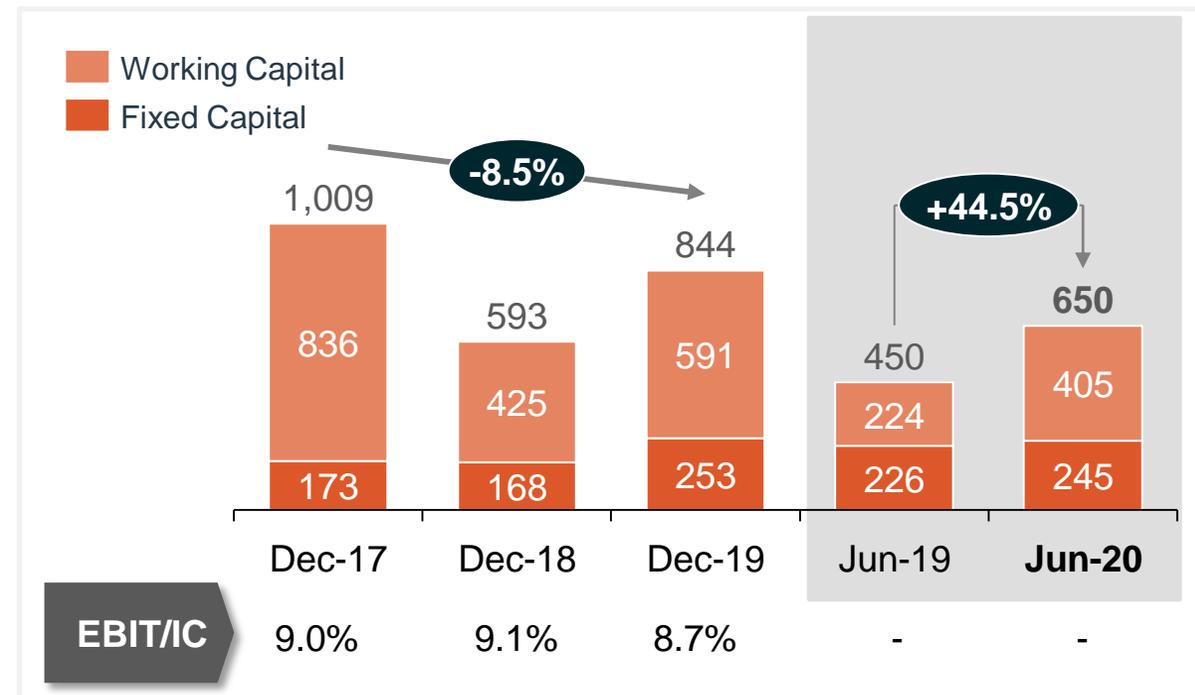


## EBIT



- **EBIT declined by 10.4%** in H1 2020 as a result of delays in shipments and counterparty defaults, particularly in the trading of African cotton, as well as lower contribution from the Quantitative Fund.

## Invested Capital



- **IC was higher by S\$199.9 million** primarily on higher working capital which increased on inputs for integrated ginning in Cotontchad, as well as on the shipment delays out of Africa. Fixed capital rose marginally with the investment in Cotontchad.

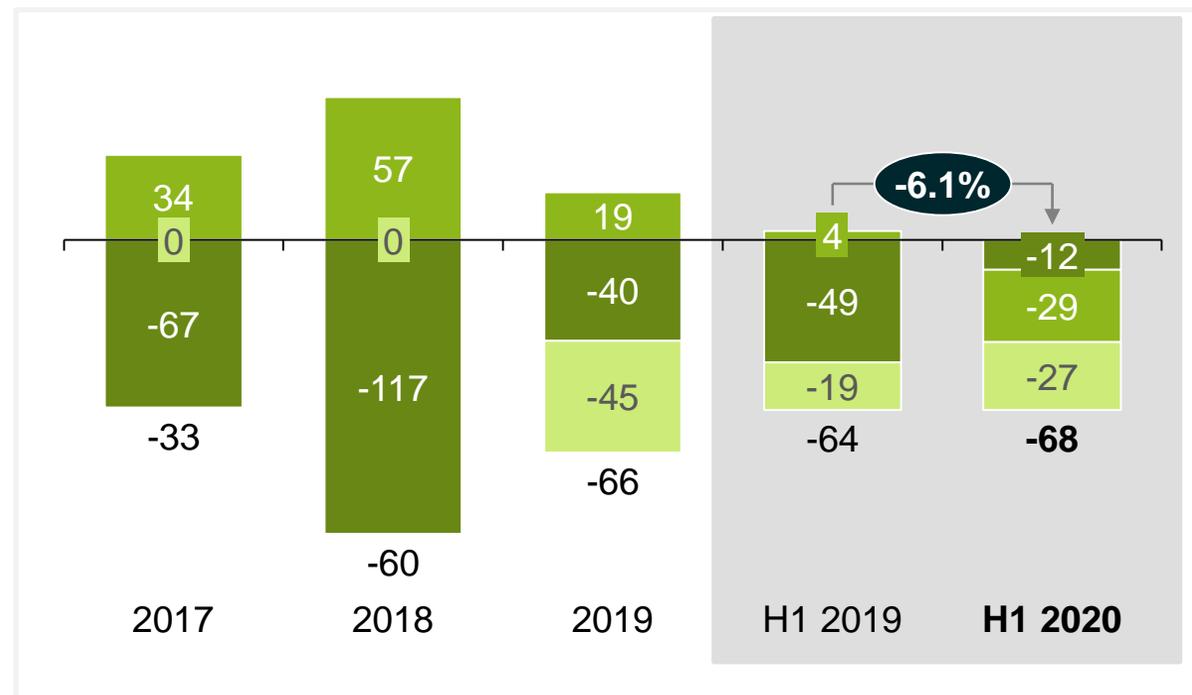
# Olam International (OIL)

S\$ Million



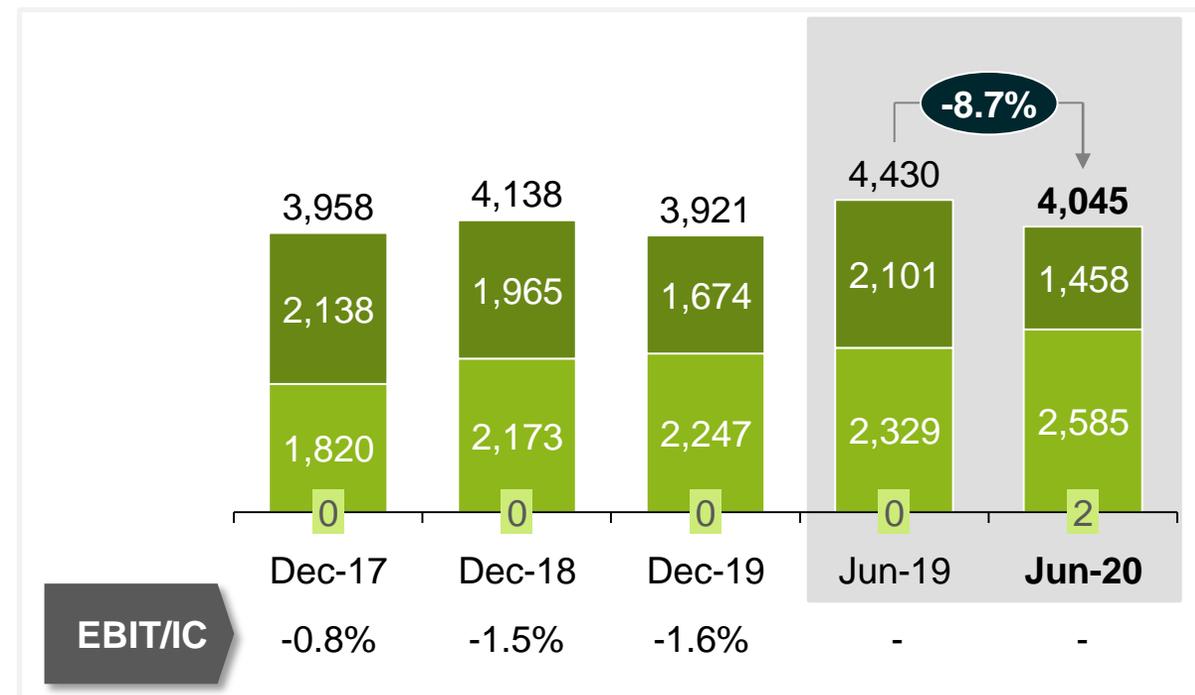
■ De-prioritised/Exiting Assets ■ Gestating Businesses ■ Incubating Businesses

## EBIT



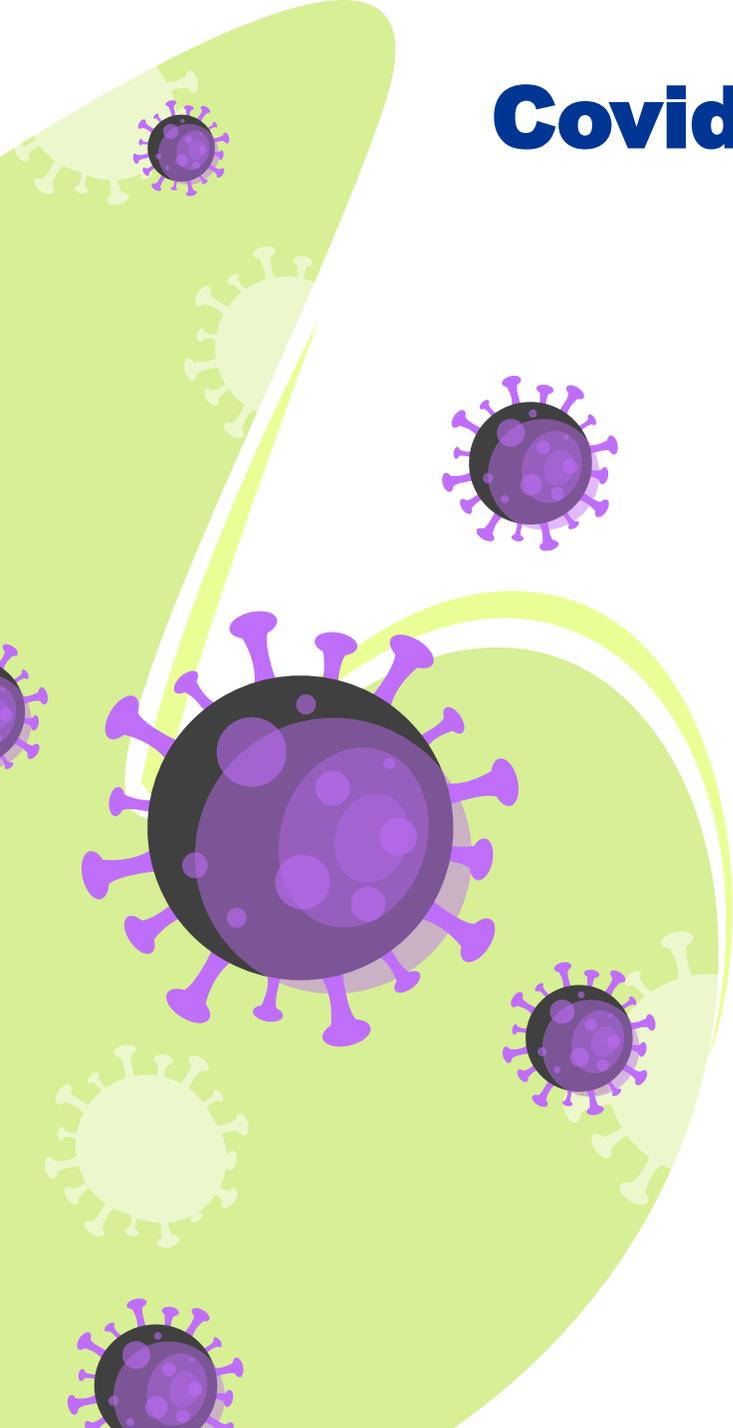
- **EBIT losses amounted to S\$68.3 million**, dragged down by the performance of the three Gestating Businesses, all of which were impacted by Covid-19.
- De-prioritised/Exiting Assets: Fully divested sugar refinery in Indonesia, shut down OTP, restructured NZFSU and sold Mungindi gin in Australia.
- Incubating Businesses: Making good progress in the five new Engine 2 growth initiatives.

## Invested Capital



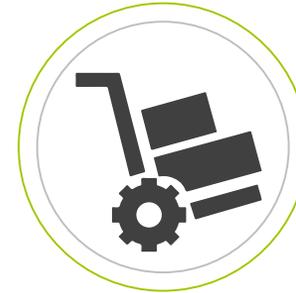
- **IC came down by S\$385.5 million in H1 2020** post divestments and impairments taken on de-prioritised assets in H2 2019.
- IC in Gestating Businesses increased as we complete the developmental expenditure in building out OPG.

# Covid-19: Potential Impacts



## **D**emand side

Potential demand destruction and consequent volume volatility; commodity price volatility and consequent pressure on margins; increased risk of counterparty defaults



## **S**upply side

Potential forced factory closures as a result of containment measures; disruption to raw material supplies; restrictions in movement of labour and labour availability; cross border movement restrictions for goods; ports lockdowns



## **F**inancial markets

Liquidity crunch, higher spreads and liquidity premiums with consequent increase in cost of borrowings; currency devaluation against USD with consequent margin reduction; recent corporate defaults / liquidations, particularly in Asia, leading to increased caution in the banking sector

# Covid-19: Demand side Impacts



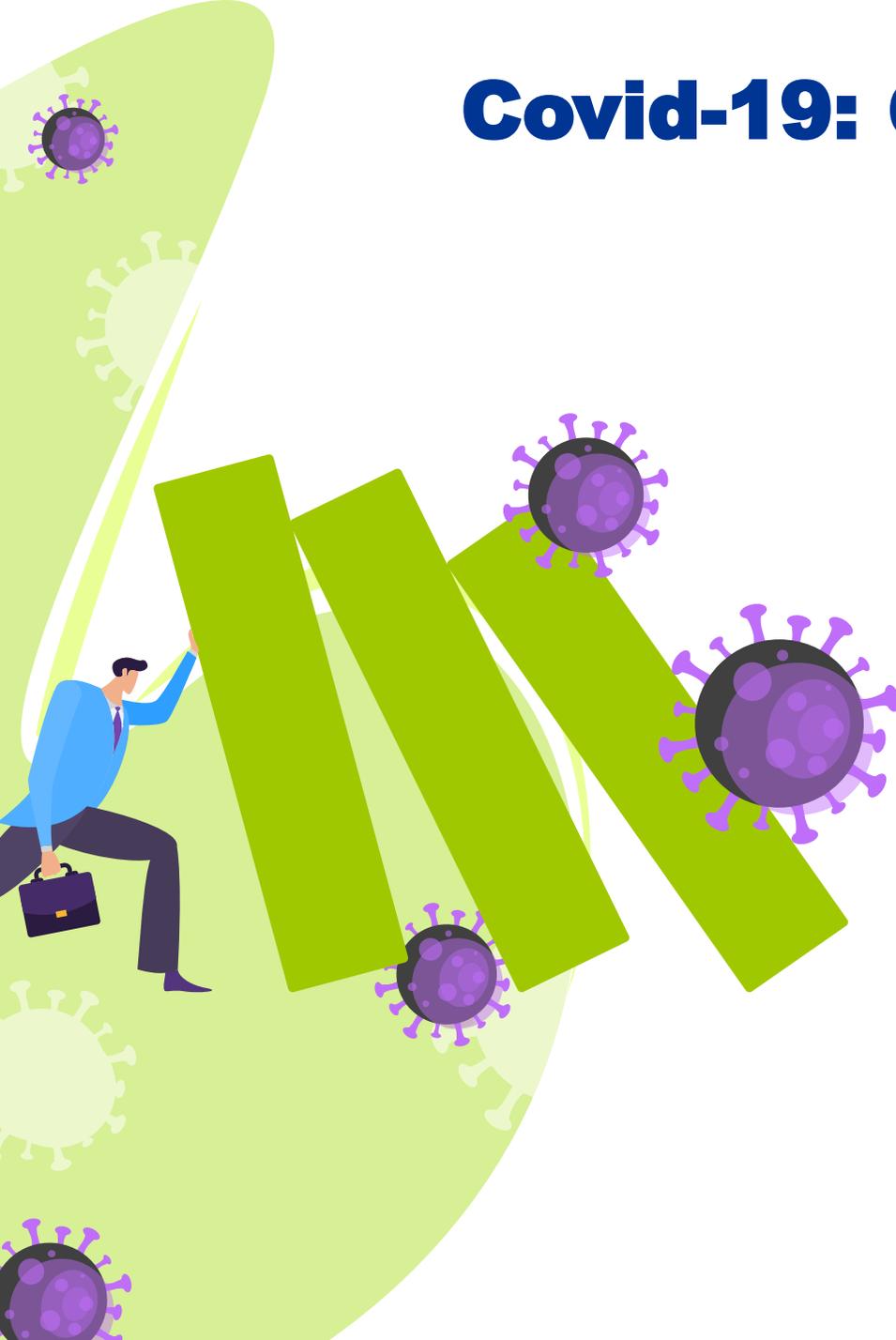
## Demand side

- **Food service demand declining:** Steep decline in dine-in & out of home consumption; demand for delivery spiked but not enough to make up for decline in dine-in
- **Grocery retail demand growing:** Packaged foods/grocery retail growing strongly; online groceries growing even faster; essentials and staples (e.g. rice, instant coffee, frozen meats, canned soups) growing faster; consumers are shifting towards well-recognised brands
- **Agri-supply prioritised:** Countries are prioritising agri supply but labour participation/availability is impacted/limited; Increased restriction in international movement of food staples as producing countries prioritise domestic stockpiles
- **For Olam, impact on demand varied across products:**
  - We experienced lower demand in some **non-food categories** like Cotton and in food products with significant out-of-home consumption like Edible Oils, Cocoa and Coffee.
  - We also saw lower demand in **Almonds & Dairy** due to the lockdown in **China** in H1 2020 although we saw signs of pick-up towards end-H1 2020.
  - Demand for most food staples was generally resilient and spiked in some cases due to the **pantry restocking effect** both at the household and retail level.

# Covid-19: Our response

## 5 PRIORITIES

- 1 Primary focus has been to ensure health and safety of our employees and food safety of our customers
- 2 Business Continuity Plans activated in all key countries and sites in Africa, Americas and Asia
- 3 To mitigate impact on demand, supply and financial markets, we are already executing several “handbrake” levers across the Company
- 4 A tiered mitigation plan in place to pull additional “handbrake” levers in the event of a second wave, and “break glass” levers should situation further deteriorate
- 5 Enhancing stakeholder engagement: We are supporting our stakeholders, particularly farmers and communities in vulnerable countries, and preparing for evolving our business model in a post Covid-19 world in consultation with supply chain partners



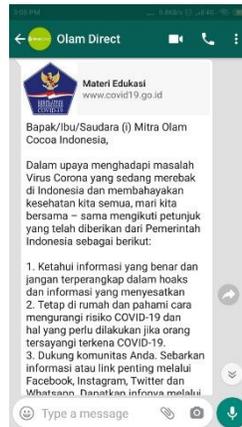
# Supporting farmers and rural communities

## US\$5.7 million in financial and in-kind donations for healthcare and food relief



### Supporting public awareness and community support campaigns

Reaching 20,000 cocoa & coffee farmers in Indonesia; 1.2 million farming families in India; 1,400 cooperatives and licensed buying agents in Côte d'Ivoire with health updates & advice via our digital platforms



Supporting farming cooperatives, hospitals and health centres across Central and West Africa with sanitation kits, hand-washing stations, radio & poster public awareness information

### Providing medical relief and supporting healthcare provision

US\$600,000 worth of medical supplies to the Ministry of Health in Côte d'Ivoire along with 20,000 testing kits in partnership with Temasek Foundation

US\$100,000 of medical equipment and essential food supplies donated to state governments in Nigeria



Our joint venture, ARISE, distributed 50 ventilators; 24 thermal cameras; 10,000 electronic thermometers; 500,000 gloves; 230,000 disinfectant gels and 7 million masks – to partner governments in Africa.



### Donating food and supporting food relief activities

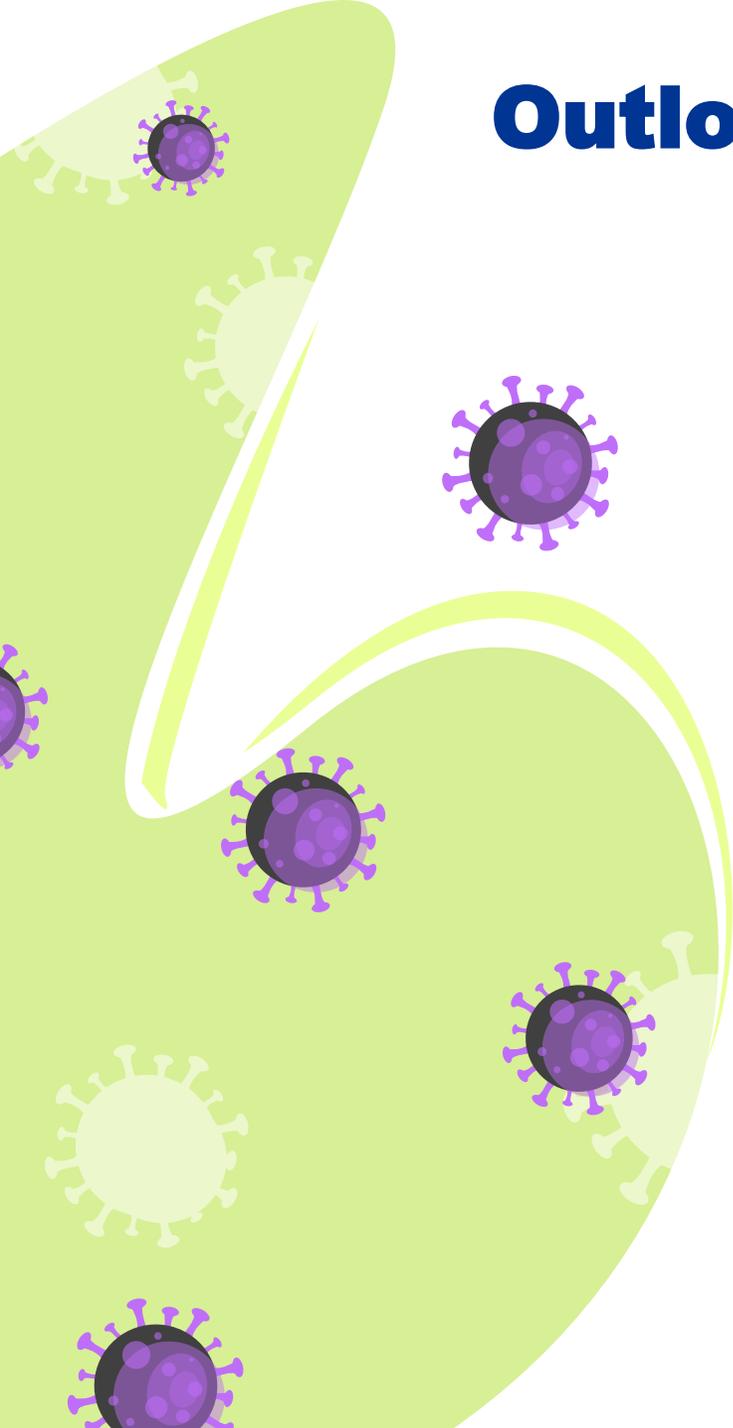
Over US\$400,000 of food packages and sanitation kits for cocoa, coffee and quinoa farmers in Central and South America



Food donation to support communities in countries including Vietnam, India, Burkina Faso, Myanmar, South Africa, Senegal and Ghana, Chad and Argentina,



# Outlook



- **With 80-85% of our revenues in the food category where demand is less sensitive to recession or economic downcycles, we believe we will be able to better navigate the demand led uncertainties around COVID-19.**
- **However, the impact of COVID-19 on the rest of the year remains uncertain** with a range of outcomes that could impact demand and supply conditions across different geographies, businesses and financial markets
- **We have been proactive in controlling costs and conserving cash to mitigate against potential adverse impact** from the COVID-19 crisis. We stand ready to pull additional levers if situation worsens.
- **We will continue to monitor and assess this impact on a more dynamic basis** rather than on a fixed planning cycle basis and provide an assessment if material developments arise.

# Governance

## Board of directors



**Lim Ah Doo**

Chairman, Independent and Non-Executive Director



**Sunny George Verghese**

Executive Director, Co-Founder and Group CEO



**Sanjiv Misra**

Independent Non-Executive Director



**Nihal Vijaya Devadas Kaviratne, CBE**

Independent Non-Executive Director



**Yap Chee Keong**

Independent Non-Executive Director



**Marie Elaine Teo**

Independent Non-Executive Director



**A. Shekhar**

Executive Director and CEO, Olam Food Ingredients



**Kazuo Ito**

Non-Executive Director



**Joerg Wolle**

Independent Non-Executive Director



**Ajai Puri**

Independent Non-Executive Director



**Nagi Hamiyeh**

Non-Executive Director



**Norio Saigusa**

Non-Executive Director

# Governance

## Risk management



<b>Trading Risks</b>	Trading risks are controlled by regular monitoring of positions using industry-standard metrics. The annual risk budgeting process defines position and risk metric limits to control exposures. The Group hedges price risk on the world's commodities exchanges, both through derivatives and tendering.	<b>Reputational Risks</b>	The Group has put in place a suite of policies, codes and standards to guide actions and behaviours. These include the Olam Code of Conduct; the Olam Crisis Escalation Procedure; the Olam Plantations, Concessions and Farms Code; the Olam Livelihood Charter; the Olam Supplier Code; the Olam Fair Employment Policy and the Olam Living Landscapes Policy.
<b>Operational Risks</b>	Field operating control and primary sourcing infrastructure are in place in every country where the Group operates. The Group's credit/counterparty rating system defines credit limits and controls, promoting fragmentation of credit exposure on short tenors. Insurance is taken to provide inventory cover as well as credit defaults.	<b>Regulatory and Compliance Risks</b>	The Group's Legal Function advises on general regulatory matters including bribery, corruption and sanctions. The Group's Market Compliance Office ensures compliance with derivative/exchange related regulation. Both are global functions.
<b>Currency Risks</b>	The Group operates in many geographies and is therefore exposed to many different currencies. G7 currency hedging is performed by a centralised Treasury function and local currency limits in the origins and destinations are assigned to accommodate operational requirements.	<b>Capital Structure and Financing Risks</b>	The Group has a strong base of long-term shareholders. The Company maintains strong banking relationships providing committed banking lines, thereby assuring good liquidity.
<b>Agricultural Risks</b>	The Group aims for transparency with stakeholders, addressing issues as they arise but also seeking to improve wider understanding of issues in the agri-complex. The Group makes information available.	<b>Natural Perils</b>	The Group maintains insurance cover against risk of natural disasters, such as flood, fire, earthquake and storms.
<b>Political and Sovereign Risks</b>	The Group has a deep-seated presence in many of the countries in which it operates, built over many years, and has consequently gained substantial knowledge of local practices. The Group maintains global political risk and terrorism risk insurance.	<b>Other Risks</b>	Succession plans are in place to provide a second line of leadership from within the Group's Operating Committee and Management Committee. The Group employs IT security experts, as well as having in place IT cybersecurity infrastructure.
		<b>Strategic Risks</b>	All strategic risks are overseen by the offices of the CEO and COO, and by the Executive Committee.

**As a general principle, Olam has appropriate policies for risks that are insurable across products and geographies**

# Recognitions



- Singapore Corporate Awards 2019, Best Annual Report (Silver)
- The Asset Triple A Country Awards 2018: 'Best Loan in Singapore' for Asia's first sustainability-linked club loan
- ASEAN Business Advisory Council (ASEAN-BAC) AGROW Awards: Champion Inclusive Agri-business
- Top 30 ASEAN public listed companies in corporate governance practices 2018
- Africa CEO Forum Awards 2018: International Company of the Year
- Singapore Sustainability Reporting Awards (SSRA) 2018 by Singapore Institute of Directors, SGX and Global Compact: Best Sustainability Report for Established Reporters
- Winner of Sustainability Award, Runner-up of 'Most Transparent Company' Award, Commerce, SIAS 19<sup>th</sup> Investors' Choice Awards 2018
- Sustainable Business Award, Large Organisation category, Singapore Apex Corporate Sustainability Awards, 2017
- Olam ranked No.23 on Fortune's 2<sup>nd</sup> annual 'Change the World' list 2016
- Asia's Best Sustainability Report (Standalone) 2016, Asia Sustainability Reporting Awards (ASRA)
- IR Magazine Awards Southeast Asia for Best in Sector (Consumer Staples) and Most Progress in IR in 2014



**olam**