

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Full Year 2020 Olam International Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 26, 2021 / 2:30AM GMT

CORPORATE PARTICIPANTS

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients & Executive Director*

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

CONFERENCE CALL PARTICIPANTS

Simon Jong *DBS Bank Ltd., Research Division - Head of Credit Research & Analyst*

Anuradha Raghu *Bloomberg - Journalist*

Chen Lin *Thomson Reuters - Journalist*

PRESENTATION

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Good morning, ladies and gentlemen. I'm Hung Hoeng of Olam Investor Relations. Welcome to our management briefing for the second half and full year financial results 2020. This earnings call is now live on webcast and on teleconference as well. Present at this earnings call is our senior management team, led by our Co-Founder and Group CEO of Olam International, Sunny Verghese, seated to my left. To his right is A. Shekhar, Executive Director of Olam International and CEO of Olam Food Ingredients, OFI. Seated at the other end of the table is our Group CFO, N. Muthukumar.

Just before we head on into our agenda, please note that our presentation today must be read along with our financial statements and the management discussion and analysis of the second half and full year 2020 results as well as the announcement entitled, Re-organisation of Olam, Unlocking Long-term Value, that were launched to the exchange this morning. Please also read the cautionary note on forward-looking statements that may be given during this briefing.

This time, our Group CFO, Muthu, will start off by presenting the group financials first, before sharing with you our response to the COVID-19 pandemic and, importantly, the outlook for the year. We will then follow on with the segmental performance of our new operating groups, Olam Food Ingredients, Olam Global Agri as well as the company, Olam International. In this segment, Shekhar will take us through OFI and then Sunny through OGA. Finally, he will be explaining in detail the progress we have made on the reorganisation plan that was announced in January last year and round up today's presentation with key takeaways. I will now hand over the time to Muthu to begin his presentation. Thank you.

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

Good morning, everybody. Thank you once again for joining us today for the full year financial results presentation for 2020. I'll take the opportunity to present what has been a very resilient and, more importantly, a heartening financial results for the full year. We had 12% volume growth at 44.5 million tonnes, up from 39.7 million tonnes, with revenue growing 9%, up from S\$33 billion to S\$36 billion. EBIT has been a consistent delivery, again, about S\$1 billion, with bulk of it coming from OFI and ably contributed by the OGA operating group as well.

What has been really a stellar performance has been at the key metric that we track and report, our operational PATMI, a very robust and strong growth of 36% on a year-on-year basis, up from S\$498 million to S\$678 million. Our reported PATMI, however, has been lower at S\$246 million. At this stage, I would like to highlight that this is against the restated financial results for 2019, which has been due to the change in the accounting standard SFRS 16 that had now expanded the scope of variable leases.

Point to note is that our operational results for 2019 has not been impacted, and only the reported numbers have been impacted, and hence, only the reported PAT and the reported PATMI of 2019 has been changed. So all comparisons of our operational results from 2020 to 2019 are like-to-like. With a surge in commodity prices across the agricultural complex, especially in the second half of 2020 and continuing in the first 2 months of this 2021 as well, we had -- and coupled with higher volumes that we have done during the year, we have had increase in our working capital, and that has resulted in a negative free cash flow equity of roughly S\$600 million and the consequent impact on our gearing, which stood at 1.72x. However, it is well within our self-imposed target gearing of 2x, allowing us sufficient headroom to further grow.

What has been particularly heartening is the strong finish that we had, especially in the second half, wherein our operational PATMI has grown 90% to S\$475 million. Also, our operational ROE has jumped 3.3% from 7.9% in 2019 to 11.2%. We have a strong cash position as at the year-end at S\$3.1 billion, with ample liquidity of S\$17.3 billion as at the year-end.

As I have highlighted, our gearing withstood at 1.72x, but adjusting for our readily marketable inventories and secured receivables, our net debt -- net gearing, adjusted net gearing stood at 0.63x. We continue to access various diversified pools of capital during the year, and I will talk about it subsequently. And finally, the Board of Directors have -- happy to recommend a second and final dividend of S\$0.04, taking the overall dividend for the full year to S\$0.075.

We have made good progress in implementing the Strategic Plan, the second year of the 6-year Strategic Plan that we unveiled in 2019. More importantly, the 2 new operating groups, especially Olam Food Ingredients, have made very deliberate and strategic investments to pivot to a more value-added ingredients and solutions business. And it has been demonstrated by both inorganic and organic initiatives that has been done in the second half of this year. In terms of investments in Spices and dehydrates in the U.S., having a good complementary acquisition, the green chile pepper for further strengthening our red chile pepper business. Again, in the U.S., setting up of an organic soluble coffee plant in Brazil, the largest coffee producer in the world and also setting up an organic dairy processing plant in New Zealand, which is one of the largest dairy producers and exporters in the world.

We have also had very good execution of strategy of the OGA in becoming a leading food, feed and fibre business, focused on emerging markets with high returns. And that has been demonstrated with the recent acquisition of our integrated ginning model, a joint venture in Togo. And also, more importantly, the successful integration of the Dangote Flour Mills, which was acquired late 2019. We have also continued to focus on releasing cash and remaining focused on divesting our identified exit assets. And that was demonstrated early in the year in 2020, and I had reported it as part of the first half results.

In terms of divesting our sugar refinery in Indonesia, our gins in Australia and our sugar mill in India, and all of which had a net gain from these divestments. We also completely shut down our Olam Tomato Processors plants in California and significantly restructured our upstream dairy farm in Uruguay. And in the last 2 months, we continue to focus on divestments, and we have since sold our entire stake in Open Country Dairy Ltd., our 15%, and also the coffee plantations in Brazil. We continue to focus on building new capabilities in sustainability, digitalisation, innovation, private label, food services, e-commerce and, more importantly, freight management which are, we believe, are key building blocks for the key transformation of the new operating groups, OFI, OGA and as part of the OIL group, Engine 2 businesses.

As we had presented in H1 2020, here again, we are actually giving you a glance of the consolidated results by operating groups. As you can see, 89% of the volumes of the group is represented by OGA; about 8.5% of volumes by OFI and the remaining by OIL. In terms of revenue, 60% of the revenue is represented by OGA, roughly 35% by OFI and the remaining by OIL. If you look at the bottom half of the 2 tables, you will see that 72% of the EBIT is, however, contributed by OFI, roughly 43% by OGA and the remaining by OIL. And in terms of invested capital, as we had highlighted in H1, 57% of our invested capital is represented by OFI, 23% by OGA and the balance, 20% by the remaining OIL assets. Volume grew 12% to 44.5 million tonnes -- 44.5 million tonnes, up from 39.75 million tonnes, particularly led by OGA's Food & Feed, the Origination & Merchandising segment.

In terms of EBIT, as I had highlighted, a robust growth by OGA, a 40.3% year-on-year growth, while overall for the full year, OFI had a very resilient results. As we had indicated, OFI finished very strongly and had a very strong performance, second half performance and grew 43.3% on second half and second half performance. Operational PATMI grew 36% to S\$678 million, up from S\$498 million, an all-around good performance, aided by lower interest rates, but more importantly, very strong all-around performance by most of our businesses.

Our invested capital increased 5.6%, particularly working capital increased by 17.1% because of higher commodity prices that we have seen in the second half of 2020 across the commodities in our portfolio. Net gearing was at 1.72x, well below our targeted net gearing of -- self-imposed targeted net gearing of 2x, having enough headroom for us to grow. As I had indicated, because of higher working capital requirements due to higher commodity prices, higher volumes that we did in 2020 and also to a certain extent, lesser supplier credits

because of the COVID-19 situation, our working capital utilisation went up, which resulted in a negative free cash flow to equity of S\$592 million for the full year.

We have ample liquidity, and we have S\$17.3 billion of ample liquidity, S\$3 billion of cash, roughly S\$6 billion of readily marketable inventory, over S\$1 billion of secured receivables and more importantly, over S\$7 billion of unutilised bank lines, making up a total of S\$17.3 billion of liquidity available with a clear S\$3 billion of headroom over and above our gross borrowings that we have as at the year-end.

Now I will just take you through what has been the organisation's response towards the COVID-19 pandemic and what we believe would be the outlook for the coming year. We had focused on 5 priorities. First of all, the primary focus was to ensure health and safety of our employees and food safety for our customers. We had, in the early part of the year, put in business continuity plans, which were activated across all our key countries and sites in Africa, Americas and Asia. And we -- to mitigate the impact on demand and supply and financial markets, we had identified and put in place several "handbrake" levers across the company. And we had a very deliberate tiered mitigation plan in place to also have additional "handbrake" levers, if required, in the event of a second wave. And finally, even have what we call as a "break glass" levers should, God forbid, situations deteriorate.

And what we did during the entire period has been that we have enhanced stakeholder engagement. We have been supporting our stakeholders, particularly farmers and communities in vulnerable countries and preparing for our business evolution and model in a post-COVID-19 era, in active consultation with our supply chain partners. And here is a snapshot of our various initiatives that we have done during the year of 2020, benefiting more than 11.5 million people, comprising of our employees, the farmers and their families across 33 countries. And we had invested more than US\$7 million in terms of financial and in-kind donations as part of this COVID-19 relief efforts.

Finally, in spite of challenging conditions in many key markets across the world, we see that there has been a significant pickup in volume and demand due to China's rapid recovery and many Asian countries, which have been easing lockdown measures as we see, especially in the recent past. And substantive fiscal support from governments and monitoring easing by central banks, which were a question mark at the beginning of the year, have really contributed in improving the sentiment.

The pandemic has actually resulted in a higher demand for at-home food consumptions globally and accelerated shifting consumer patterns and such as placing greater emphasis on quality of food and that are both safe and healthy, and customers have adapted quickly to these rapidly changing plans, and we have also adapted quickly to ensure that we are innovative and we are able to produce purpose-driven processes and suppliers who have the global resources and networks to help them navigate the immediate and long-term challenges in the food and agri supply chain.

We believe the short-term impact of COVID-19 will continue, but the industry is poised for very strong recovery in the year ahead, barring any unforeseen circumstances in terms of any new variants of COVID that may arise or a second wave or a third wave that can come. Because otherwise, the industry is poised for a strong recovery, aided by growing demand and tight commodity supplies. With regard to Olam, as you know, our portfolio has 80% to 85% of our revenues in the food category, and where demand is less sensitive to recession or economic down cycles, and that is a demonstration of our 2020 results as well. And we believe we will be able to better navigate the demand-led uncertainties around the COVID-19 in the coming year as well.

So overall, we believe the market conditions and the sentiment are beginning to improve as economies are snapping back from the worst impact of COVID-19 in 2020, and we expect this favorable market conditions and environment to continue to improve through 2021. And with that, I will pass on to A. Shekhar, our CEO of OFI, to take us through the OFI performance in detail. Thank you.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients & Executive Director*

Thank you, Muthu, and good morning and good day to everybody. It's been a really fascinating first year for OFI, and that's a big understatement. When we met last time in August, when we were taking you through the H1 results, the business had been severely tested with the lockdowns that happened in the first half of the year. And I'm very pleased to say that the business has bounced back very sharply and very well, and it's a broad-based performance that I'll take you through when we go through the segmentals.

And really want to highlight 4 things before I -- which I hope you will see as constant themes across the numbers and behind the numbers, which support the numbers. So the first is, I think the rationale for OFI, if anything, has been significantly reinforced and reiterated. So we believe it has been tested and it has been proven during this pandemic in many ways. The resilience of the supply chains, our ability to provide real sustainable, traceable solutions. Innovative convenience to our customers and their consumers has all been tested, and we have come out on top of that. So that's the first theme. So if there was any reiteration of the rationale for OFI and the portfolio and the combination of this portfolio, that has been proven.

The second part really is beyond the strategy is how the customers have supported this, and we are deeply grateful for the customer support of all our clients. And I think across the board, we've had customers who have had significant jump in their volumes, which we have been able to service and many others who have had to rationalise their production because of the impact of the pandemic. And across this spectrum of differential requirements from customers, we have our supply chains, our manufacturing teams, our innovation and development teams have been able to provide those solutions to our customers on a constant basis. And that is reflected in our numbers.

The third element, which of course, everybody says it. But if anything, the whole culture commitment of the OFI team and indeed the whole Olam team, which has been tested has really come to the fore. We would not have been able to implement our strategy, deliver to our customers, if it wasn't for the commitment and ingenuity of our entire team. And these are in tough locations in rural economies, which have been hurt by the pandemic, where we have had significant supply chain disruptions in our farms, in our factories, in our distribution locations. And the sales teams and the service teams have ensured that the service levels have not been let down to our customers. And I think that's, again, a critical part of why we have been able to deliver through this year.

And last but not the least is a theme that I will talk through is that while we have reacted with discipline when the pandemic hit us in the first half, but we have ensured that we do not let the long-term strategy suffer, and we have been making commitments and making investments behind some things that Muthu already highlighted in terms of inorganic and organic investments that we're making, but more importantly, also the key capabilities that will be very important for OFI's transformation, whether it's in innovation, whether it's in sales processes, whether it's in marketing, whether it's in sustainability, in digitisation of a change, and we have been investing a lot behind that.

So those are the 4 themes: the resilience of the portfolio, the logic of the portfolio brought OFI together; the support of our customers, which has been reinforced and reiterated during this period; the commitment of our teams and the capability of our teams to deliver on this; and finally, the investment that we are making to ensure that this is a sustained growth, are the themes that I'd like to highlight when I take you through the results.

So on an overall basis, like Muthu highlighted, we have had a very strong second half. Just to put the numbers in perspective, in the first half, we had a 40% drop vis-à-vis a very strong H1 in 2019. And that was primarily on account of 2 big shocks that we took, one in Australia almonds, where the harvest came right smack in the middle of the lockdowns in China and India, which are the largest markets, and that had a big impact on H1 for 2020. And similarly, in cocoa processing, where demand for chocolate was hit. We had to take some shutdowns and slowdowns in some of our plants. And again, a very, very good performance in H1 '19. The processing business in cocoa also took a knock. And therefore, our H1 results were down by 40%.

But in H2, we have seen all-around performances across all the 5 product groups in OFI, and we have got a 43% growth over H2 of 2019. So putting the numbers in perspective, we have an EBIT of S\$508 million compared to a S\$355 million in the prior period in '19, but against H1 '20 of S\$263 million that we announced earlier. So it's almost a 93% increase over H1 and a 43% increase over H2 of the prior period. And what is more pleasing is that it's been across the board. So the Dairy business, especially in terms of the markets in China had gotten hit in the first half. But across the board, across the supply chain part of the business, across the midstream part of the business in terms of our processing in Malaysia and the upstream part of the business, all of them really performed well.

Similarly, in Coffee, which has been hit by low prices for almost a 3, 3.5-year period, the business recovered very smartly, and both the green coffee business and soluble coffee businesses delivered. Even in Nuts, which had the big impact on Australia almonds, the U.S.

almonds piece did very well. The acquisition that we had done in the end of 2019, the Hughson Nut Company, has really transformed our presence in the U.S. and all the other Nuts to call out specifically cashew and peanuts, have had a spectacular year and improvement over the prior period as well.

And lastly, in Cocoa, while the processing business was hit specifically in Europe and Brazil in some pockets, but the Asian business and the African business performed very well. And the cocoa beans business and the supply chain business, again, performed very well, especially in the second half which is when the seasons are on. So on an overall basis, we are quite pleased with the earnings as well as the margins, which is again something I want to highlight on a portfolio basis.

If you look at the second half margins, it's almost a 250 basis points improvement on an H2-to-H2 basis. So while for the full year, the impact, there is a small fall in the margins in terms of portfolio EBIT margins, but that is on account of the big knock that we took in H1. And we think that the strategy of OFI to move up the value chain into value-added ingredients and solutions is happening as we speak, and we will see that on a sustained basis going forward.

The last point I'd like to make on this is that which again, Muthu highlighted earlier, that the second half has seen an increase in commodity prices mostly across the board, some part aided by a weaker dollar, and that has impacted the working capital in OFI as well, especially in Cocoa and Coffee, and that's something that has led to a bit of working capital increase, overall invested capital increase.

So looking at the 2 segments. And again, these are 2 segments that we started reporting results from H1 of last year. And these 2 segments are critical across all our product groups. So we have a very strong, sustainable sourcing platform that we have built across these businesses. And they are the basis on which, on top of which, we are building the value-added solutions business. So it is very critical that the highly traceable, highly sustainable chains that we have built, whether it's in Cocoa, whether it's in Coffee, whether it's in Nuts, Dairy or Spices, that is the platform which is the first segment that we are talking about, and we have seen a strong EBIT growth of 48% in H2, while overall for the year, the EBIT has fallen. But again, just to put it in perspective, we have taken a 56% fall in the first half of 2020, which has been made up almost entirely in the second half. And the first half impact was, again, predominantly felt in almonds, which I highlighted earlier. But in the second half, in the U.S. almonds across the year for cashews and other Nuts, in Cocoa origination, in Coffee and in Spices and Dairy, in the rest of the portfolio, we have had a very good performance.

So really -- in this segment, the underperformance was only in the Australian almonds. But otherwise, across the board, both in terms of volumes and in terms of earnings and margins, we have had good growth. And again, what needs to be highlighted is that in the second half, you're seeing the EBIT margin growth of almost about 200 basis points even in this segment. Again, there was some amount of increases in prices, but this segment works on a very sharp, very efficient working capital cycle, and that's been the focus across all product groups while we -- we supply a lot of what we source to the manufacturing and the solutions group. But in all our sales to other customers, we have kept a very tight control so that you'll see that as far as this segment is concerned, despite the second half price increase across some of the commodities, we haven't seen that kind of impact on the total invested capital.

Moving on to the Value-added Food Ingredients & Solutions. And this is the segment in which we have been investing over the last 4, 5 years across all the product groups and in area -- and the segment in which we will see significantly more investments as we go forward. And again, this segment had been hurt somewhat because of the cocoa processing impact in first half, but not as significant as the overall portfolio. But again, it has shown a 37% increase in the second half and compared to S\$168 million EBIT in H1, it's almost a S\$220 million EBIT in H2 of 2020. And again, portfolio margins going up to 8% for the Value-added segment. And here, the big performances to call out was in soluble coffee, in cocoa processing in Asia and Africa that I mentioned, in Nuts.

And in Nuts, there is almonds processing that I mentioned in the U.S., but a lot of the investment that we are making in co-packing in -- to expand to our private label customers, that has done extremely well, cashew processing, peanut processing to call out our other 2 areas in the Value-added space, which have performed very well. The hazelnut business, which had taken a bit of a knock in 2019 has come back and recovered and is looking set for sustained growth from here. So -- and again, dairy processing. And the last business that I've probably not spoken much about, which is pretty much all in the spice, all in the Value-added space is our spice business. So the U.S. dehydrates business in which we have made some further commitments towards the end of the year as well as the tropical business out of Vietnam and India, again, has shown quite a resilient performance. And Spices is probably one product group during this entire

pandemic where the demand has grown very sharply and is expected to stay strong over 2021 also.

So we have seen increase in working capital in this segment, and we have been very conscious, some part because of demand impact in some of the areas like in cocoa processing where we have had to carry higher inventory, but -- and also because of the prices, which has been more a H2 phenomena. So overall, this segment is really going to be a big part of our future. And some of the investments that we have made, not just the inorganic and organic commitment that we have made are still not fully reflected because the close -- the commitments were made in Q4, but they will be reflected. Two of the acquisitions that we announced have been closed in January and February, so that will come up in H1. And the other 2 greenfield projects that we have announced in Brazil for soluble coffee and for dairy processing in New Zealand will be invested over the course of '21 and '22 and are expected to come on stream in the second half of '22 and early '23. But those will be big commitments, and those are very important areas of our growth. And these investments really will show sustained growth in this segment going forward.

And so just to kind of round it together and making the 4 points that I started this presentation with. We are very happy with the resilient all-around performance of the portfolio, which was tested very sharply in the first half, but came back very strongly in the second half and is positioned very well for 2021. The second is we are seeing the flight to quality across markets, but we are grateful to our customers, wherein we are seeing significant support as we prove our capacity to execute across our supply chains, providing the sustainability solutions, the innovation that the customers and their consumers are demanding.

We are investing strongly, but in a very deliberate and disciplined fashion behind the refreshed OFI strategy as reiterated by the 4 investments that we've announced in Q4, and there are more that we are planning over the coming years. And more importantly, we are investing in the capabilities that will transform OFI, and that's a long-term, longer-term journey, but whether it's in sustainability, whether it's in digitisation, whether it's in innovation, whether it's in sales processes and marketing, we are making significant commitments in infrastructure, retooling and reskilling our people as well as bringing in senior talent and diverse talent, which will enable us -- grow this platform.

So overall, quite pleased with the progress in this first year of OFI. And I believe that with all that's happened, we are on track to deliver sustained growth. Thank you. And I'll hand it over to Sunny to take you through OGA and OIL.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

Thanks, Shekhar, and thanks, Muthu. I will now move on to the second operating group, OGA. As all of you are aware by now, OGA is positioned as a global market-leading food, feed and fibre agri business, focused on high-growth emerging markets. And given the nature of its participation, which is relatively more asset light, delivers significantly higher returns.

There are 2 broad segments under which OGA is organised. The first segment is the Food & Feed segment; and the second is the Fibre & Ag Services segment. Within the Food & Feed segment, we have 2 subsegments, the Origination & Merchandising business; and secondly, the Value-added Processing business.

And I want to now just go through the aggregate highlights, performance highlights, first for OGA. EBIT grew 40.3%. So it was a banner year in many respects for OGA, with one of our best performances in the recent past. S\$330 million was the EBIT operating profit last year in 2019. That has grown by 40.3% to S\$462 million this year. And more importantly, the EBIT per tonne. So in terms of margin growth, the margin has grown from S\$10 per tonne to S\$12 per tonne for OGA, which is roughly a 20% improvement in margins. EBIT grew across mainly the Food & Feed businesses. And within the Food & Feed businesses, both of these segments, which is Origination & Merchandising segment as well as Processing & Value-added segment, contributed strongly to this operating profit growth.

Also from the ag and -- from the Fibre & Ag Services segment, there was a strong contribution from the Commodity Financial Services, which also catalyzed the overall growth in the OGA business. Invested capital, however, grew by 27.2% on account of higher volumes, particularly in the Food & Feed business, and particularly in the Origination & Merchandising side of the business. And in addition to the growth in volumes of roughly 11.7% in OGA, revenues have grown faster because commodity prices have begun to move up from the last quarter of 2020, and that has impacted the total working capital that is invested in the business.

Another contributor for increased invested capital, mainly in the form of increased working capital has come from longer cycle times and lead times and inventory carrying times for the Cotton business, which was the most COVID-impacted business in Olam's portfolio across OFI and OGA as a result of capacity utilisation in textile mills sharply declining in the first 9 months of 2020 as a result of COVID lockdown restrictions that we experienced. The EBIT by IC has grown by about 800 basis points, from 12.9% in 2019 to about 13.7% in 2020.

Now moving to the segmental analysis and starting first with the Origination & Merchandising business under the Food & Feed segment. We have seen a strong growth of 36% in operating profits, from S\$150 million in 2019 to S\$203 million this year. The profitability in terms of margins, EBIT per metric tonne has improved by 20%, from \$5 a tonne to \$6 a tonne during this period. We've had solid EBIT growth in the Origination & Merchandising segment across the Grains platform and within the Grains platform in the wheat SBU, the corn SBU, the soybean SBU and including our origination from Black Sea, from other -- and the markets in Asia, particularly China. And the team has shown extraordinary resourcefulness and skill in seizing the market opportunity as there was a pantry restocking effect taking place for these food staples as a result of COVID-19 impacts.

We were also fortunate to have a very solid year in the Rice business, both in the distribution business as well as in the inland and the trading business, with the distribution business breaking past records, both in terms of market share gains, revenue growth as well as significant margin growth over the prior year. The Edible Oils trading business was deeply impacted by COVID and was one of the BUs within the Food & Feed - Origination & Merchandising segment that was a drag in 2020. As you know, much of the Edible Oils business is reliant, 45% of the demand for Edible Oils is out-of-home consumption in restaurants and foodservice segments. And that demand in 2019 -- 2020 as a result of COVID had sharply declined, and that accounts for the subpar performance of the Edible Oil business in 2020.

As far as the invested capital is concerned, there was a significant growth in invested capital, from S\$385 million in 2019 to almost S\$936 million in 2020, largely driven by volume growth, revenue growth because of prices, but also in businesses like cotton and edible oil, particularly in cotton, longer cycle times as a result of textile mill capacity utilisation issues in the first 9 months of COVID-19 in 2020.

Moving on to the next segment, which is the Processing & Value-added segment. It was a stellar year. Operating earnings grew by 86.2%, from S\$117 million last year to S\$218 million this year. And more importantly, the margins grew by almost 42% from S\$38 per tonne to about S\$54 per tonne this year. Our wheat milling operations across Nigeria, Ghana, Senegal and Cameroon, all contributed strongly to this significantly superior performance in 2020. And in Nigeria, the acquisition of Dangote Flour Mills and the integration has met all our investment thesis assumptions in terms of improved capacity utilisation, consolidation of market share, improved extraction efficiencies, lower cost of conversion, more pronounced B2C sales in terms of pasta and in terms of semolina. All of these has resulted in improved operating profit growth, but also improved margins as well.

And as I mentioned earlier, the rice distribution business, including our rice farming and milling business which is part of the segment, has also contributed very strongly with an exceptional year, both in terms of operating profits as well as margin growth. Invested capital grew 9.7% in this segment, from one -- sorry, declined roughly 10% in this segment from S\$1.74 billion last year to S\$1.57 billion this year, largely on account of lower working capital, as I told you, because of the pantry restocking effect. There was a surge in demand for food staples and food staple consumption. And that led us to have tighter inventories and much lesser receivable days compared to 2019 and which was positive tailwind as far as invested capital for this segment was concerned.

And moving on to the final segment, which is the Fibre & Ag Services business. This is where the COVID impact was most felt by us. And both in the Cotton business and Edible Oil business, this was a significant headwind for us in 2020. We are beginning to see some positive changes and tailwind emerging from the last couple of months of 2020. And as we enter '21, that has begun to be accentuated and enhanced. So we feel more confident about the prospects of this segment in 2021, but we had a very difficult year in this business in 2020 as capacity utilisation of the textile mills in the main textile milling centers in China, India, Pakistan, Bangladesh, Vietnam, Indonesia, all collapsed in the first 9 months of the year, but is now coming back quite strongly, and that bodes well for the next year.

We also had quite a severe drought condition in Australia, which resulted in a far shorter cotton crop, which meant that capacity utilisations in our gins was significantly lower than the prior year. And that, again, we are seeing now much more availability of water and

the restoration of normal conditions in Australia, and we are seeing a much better cotton crop in Australia for the coming season compared to the last one. And the only bright spot in this segment in 2020 was a Commodity Financial Services business, which made a significant contribution in reducing the impact of COVID on the other 2 BUs in this portfolio.

So in summary, we continue to progress on our strategic plans and initiatives. As far as OGA is concerned, it has emerged as a strong business with high growth and excess returns. And we continue to benefit in this business from the key secular trends, which we have identified in the past, which includes a growing food security agenda as a result and the impact of COVID-19 pandemic has brought this and pronounced impacts of this.

The story of changing dietary habits and rising protein consumption, the story about the disproportionate emerging markets growth and the rising tech adoption in agriculture and the sustainability focus shift in the agri business sector. And the OGA business is structurally well positioned and in the sweet spot of these consumer trends.

Second, we have succeeded in beginning to diversify our business into other emerging markets, with a particular focus on Asia and that we are making significant commitments in helping us manage the pivot in a more accelerated way. Third is we continue to successfully invest in priority assets and businesses with high returns, keeping in line with the overall theme of the OGA business. We are focusing on expanding into higher value-added B2C downstream businesses, which includes, for example, our pasta business, significant expansion in capacity in that regard. The semolina business, the fortified rice-branded businesses.

Secondly, we are focusing on businesses where we have a proven track record of taking brownfield projects and using our technical skills and manufacturing capabilities to improve asset utilisation, extract efficiencies, quality, management, cost management disciplines, to get them to scale and extracting those synergies and efficiencies. And finally, expanding our third pillar of growth, which is the integrated cotton ginning operations in Africa. We successfully have built a very valuable business in this regard in Cote d'Ivoire. And then we moved to Chad, and we have succeeded in establishing a strong market position in Chad. And now late last year, we have also invested in Togo and this is important in being a growth driver for OGA going forward.

And finally, I think the resourcefulness of our team to seize the market opportunities with regard to the Origination & Merchandising skills and capabilities, the processing capabilities, the disciplined risk management and all the operational capabilities that we bring to bear has helped us in delivering this outsized performance in 2020 and all goes well for '21 and beyond. And I think in 2020, we made good progress in developing our asset management capabilities in the Commodity Financial Services business. So overall, a great year for OGA in 2020, and we are looking forward with confidence to the prospects for '21.

The last segment that I want to talk about is OIL. As all of you know, OIL has 3 main responsibilities: the responsible divestment of our deprioritised exit assets and exiting businesses; the nurturing of our gestating businesses to full potential; and the incubation of new engines and platforms for growth. In all of these 3 respects, we are making progress.

We've had a decline in operating earnings in the segment last year because many of these businesses in this segment, particularly the Gestating Businesses, were all deeply impacted by COVID that includes our ARISE Infrastructure business, our Packaged Foods consumer business as well as the Olam Palm Gabon business, which we refer to in Muthu's presentation on the one-off impairment charge that we took this year. In terms of invested capital, as a result of the impairment charge in particular, we have had a 12.2% reduction in invested capital between last year and this year. And because the EBITDA was negative, this has been a drag on the overall Olam Group performance for 2020.

The one update that we want to provide is we're making good progress in the incubation on exploring and studying various Engine 2 initiatives and ideas, which would be platforms for future growth for the Olam Group. We've looked at these ideas with some guardrails in mind. We, first of all, are not looking at any idea unless it is truly a disruptive idea. We're only looking at ideas that are very consistent with our purpose of Reimagining Global Food and Agricultural Systems. We are only looking at ideas which are material and scalable that can leverage Olam's core strengths and unique assets and enhance Olam's core business. And all of these Engine 2 ideas that we're exploring and studying will have sustainability and digital technology at the heart of these propositions. And we believe that if these are successful, they will act significantly to the strategic and financial value to the Olam Group. There are 6 ideas that we are exploring. All of

this, we have talked about in the past. We are making good progress in each of this. They are all at different stages of development and in the early stages of incubation and development.

With this, I want to move to the last segment of today's presentation, which is the Re-organisation Plan and a progress update on this. You will all recall, in January 2020, we announced that in order to unlock the current value that there is in Olam and to create and enhance further sustainable value on a long-term basis, both for our continuing shareholders and new shareholders that we seek to attract to our platforms, we will reorganise Olam into 2 distinct operating entities, Olam Food Ingredients, which Shekhar has described the performance for this year; and Olam Global Agri, each with very distinctive equity positions and very compelling visions, taking advantage of different consumer trends and themes. And by simplifying and focusing the portfolio into these 2 distinct operating groups and entities and executing the game plan to create long-term sustainable value, we would unlock a lot of value for all of Olam's shareholders and stakeholders.

And 1 year after making this announcement, we are pleased to report to you that we have made significant progress. We have completed the step 1 of this reorganisation, which is re-segmentation. As I said, we have re-segmented Olam's business into these 2 distinct operating entities. Secondly, we have also now re-segmented the businesses in terms of OFI reporting its result on 2 new segments, OGA reporting its results in 3 segments and OIL reporting its results in 3 segments. We have, based on the feedback we have received from investors and others, chosen a slightly different set of key performance metrics that you think are most relevant to model the prospects of this business, both for OFI and OGA. And we have started reporting on this basis, both for the first half of 2020 and now for the second half of '20 and the full year results of 2020.

The second step that has been completed is the reorganisation in these 2 businesses. We have stood up dedicated leadership and management teams for OFI and OGA. We have designed new targeted operating models and organisational structures for these 2 businesses, including embedded business leadership teams, but more importantly, embedded country management structures and functional teams to make these 2 businesses fully amenable and ready and prepared for an eventual separation from OIL and de-merger from OIL and setting up and standing up these 2 entities for success by creating this focus. That has also been done. Both these operations are now deepened its existing capabilities. But as part of the new game plan in terms of what OFI wants to pivot to and OGA wants to pivot to, we are assembling and acquiring new talent and capabilities to execute on that new game plan.

The third most important thing is now we are giving you more visibility on the carve-out steps itself. As you know, Olam is a complex entity, present in 67 countries, many operating entities. So the separation and carve-out is a complex affair, but we are on top of that, and we expect to complete the separation and carve-out of OFI and OGA by the end of December this year in '21. And all of the work streams, all of the tax, all of the restructuring aspects of this is on track and on time and on budget, and we expect to complete this separation and carve-out of OFI and OGA by the end of this year, which then brings us to step 4. And we are announcing today that we intend to list OFI in the first half of 2021, and we are also announcing today that we intend to de-merge OFI from OIL via distribution in specie of OFI shares to OIL shareholders who will then directly own OFI in conjunction with the OFI IPO slated for the first half of '22. So that is a new announcement that we are making today.

We are also pursuing similar strategic options for OGA. A carve-out of OGA will happen at the same time as a carve-out of OFI. But the IPO of OGA will be sequentially after OFI to manage these 2 IPOs successfully, both our substantial IPOs or significant IPOs, and needs to be done on a sequential basis to realise the full potential value of this from our shareholders. I'm now happy to conclude this presentation at this point and hand it back to Hung Hoeng for the Q&A session. Thank you.

Sorry, yes. Hung Hoeng reminds me that I've, as usual, forgotten the key takeaway slide. So firstly, I think we've had a banner year in terms of operating performance. We have grown operating performance at roughly 36% to S\$678 million, improved returns by almost 330 basis points from last year. Very strong operating performance from OFI, with a strong comeback in the second half, a growth of 43% and strong operating growth, profit growth and margin growth in OGA of 40% in 2020. As I mentioned, the significant progress on the Re-organisation Plan, the carve-out is well underway. The de-merger decision has been taken. The IPO decision has been taken. And in parallel, we are pursuing similar strategic options for OGA.

And finally and importantly, we feel market conditions and sentiments are improving as a result of a sharp snapback from the worst

impacts of COVID in 2020, and that all goes well both for OFI and OGA in '21. Thank you.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, speakers. We'd like to turn now the time to Q&A. We have callers on the conference call. We would like to take those questions first. Can the operator start the questions coming, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Chen Lin from Thomson Reuters.

Chen Lin *Thomson Reuters - Journalist*

Okay. I have questions on 2 topics. The first one will be on IPO. What are the venues under consideration for listing of your Food Ingredients business? And what is the size of the IPO that you are looking at?

And then secondly, because this is in the news now, I need to also ask about Myanmar. A 2019 UN report say that you purchased and exported rice for Myanmar military-owned conglomerate, MEC. Are you reconsidering this business given the recent event? And what operations do you have in Myanmar besides food processing? And what are you -- are you reconsidering any of this business or longer-term investments in Myanmar because of the political situation there? Okay, thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

The first question as far as the IPO venue for the intended listing of OFI in first half -- there's some echo. Sorry. I was answering the first question on the OFI listing venue in the first half of 2022 -- by the first half of 2022. So we have not yet decided on the listing venue. But as you can fully expect, we are carefully considering all our options in terms of choosing the best listing venue for OFI.

Our objective and criteria are quite clear. We want to list in a venue that will offer the best prospects for understanding the unique value proposition of the OFI business and that will give us the best possible chance for the greatest possible value to be realised for OFI's current shareholders and the new investors that we are going to be attracting into OFI.

So we are excited about harnessing and realising this significant value potential in OFI by eventually selecting the right venue for listing this. No venue has been ruled in or ruled out. We have sufficient time to make the determination, and we are doing a careful and methodical determination of that decision.

On the related question that you asked about the size of the IPO, it's too early to determine the size of the IPO at this stage. However, it is very clear from the relative size and saliency of the OFI business, that it would be a meaningful and sizable IPO in any jurisdiction that we chose to list OFI in. And while OGA is a smaller business than OFI, these are 2 very attractive businesses for Olam. And the OFI -- OGA IPO that will follow sequentially from the OFI IPO will also be a meaningful IPO in any jurisdiction that we choose to list that business in as well.

Your second question on Myanmar. We have limited presence in Myanmar. And given the current circumstances and developments in Myanmar, we will evaluate our long-term plans and strategic relevance of our investments in Myanmar. At this point in time, we have very limited presence in Myanmar.

[Olam International would like to clarify that the Group has not purchased or exported products from any government-related entity in Myanmar for the past two years.] (added by the company after the call)

Operator

(Operator Instructions)

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

In the meantime, I would like to take some questions that have come on the webcast.

The first question is on the write-down and impairment on OPG. What are the reasons for the write down? And will we be expecting more write-downs in the future? I would like to invite Muthu to answer the question.

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

So with regard to OPG, first of all, it is a noncash, nonrecurring, a prudent impairment that we have taken, considering the fact that this particular palm plantation in Gabon has been experiencing continuous moisture stress. And more importantly, the rainfall pattern has been patchy, and we have been closely watching how we mitigate this moisture stress that these plantations have been facing. We had a very proactive approach in looking at a large-scale drip irrigation project, which we wanted to implement to, if not fully, but substantially mitigate this moisture stress that the plantations are going through.

Unfortunately, with the COVID-19 pandemic, our ability to implement this drip irrigation project has been considerably delayed. And we believe that, that is putting further stress on the plantation as we are not able to mitigate the shortfall of rainfall. So as a proactive measure, we believe that if there are going to be long-term impact on yields of the plantation, it is better that we take an impairment that will bring down the valuation of the asset at market so that we can attract any investors who would like to participate with us. So we have carefully evaluated all options. And we believe at this stage, the impairment quantum that we have taken is adequate, fair and reasonable.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Since there are no questions on the teleconference, I'll move on to other questions that's come online.

What capabilities have allowed Olam to overcome the supply chain issues on account of the pandemic? And what have been the changes in consumer behaviour as a result of this pandemic? What are the key trends that you've noticed? And how does it affect the supply chains?

Shekhar Anantharaman Maybe I'll take that question. I think there are multiple aspects, and true for both OFI businesses as well as OGA businesses. The first thing is we have a very diversified portfolio of products so that we are not geared towards one or the other product. And within each of these product groups, we have a significant spread of both producing countries and consumption markets that we service. So we have -- the diversification of the portfolio is probably an important part of us being able to stay resilient throughout this in terms of servicing all the producing origins, servicing all the consumption markets and the key producing -- from the key producing origins.

The second aspect is a deeply local presence and expertise. And as Olam, over the last 31 years of our existence, we have ensured that we stay very deeply committed and attached to the local communities from where we source most of the produce. And I think that has been really tested during this pandemic in terms of our capacity to continue to source from, work with the communities, helping them through the pandemic, managing the supply chain and logistics disruption that -- and there were many of those across many of these countries and being able to do that on the ground because we have the local presence, expertise and the support of the local population, the local community where we operate in. I think that's been a very significant part. And again, across the portfolio, that's, I think, probably the second area.

And the third part is a very diversified manufacturing footprint, which has been built over more the last 10 to 12 years. Again, beyond the sourcing and origination capacity, it's also across most markets. We have significant manufacturing capacity, and the ability to source as well as manufacture a wide variety of optionalities and provide a wide variety of optionalities to our customers. So I think those would be the 3 critical areas beyond everything else that we do to provide the value-added option, the traceability, the sustainability, the -- which today, if -- has been more reinforced during this pandemic.

So the second aspect of that question, which was about the consumer trends and across, again, if I take the OFI portfolio, we had identified the rationale for OFI was about some of the trends of clean label, natural, plant-based, sustainable, traceable convenience

requirements from consumers across all our customer groups. And during this pandemic, that has become more reinforced, and there is a greater demand for more sustainable, more traceable, more health, wellness, nutrition-led solutions, which the consumers are demanding from our customers. And those are areas where we have made significant investments in the past and are continuing to make investments, which we think will enable us provide these solutions across the portfolio.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

And Sunny you have anything to add on the OGA account of this question?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

That's comprehensive.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Okay. Can I request the operator to open up the line for any questions that come through the teleconference?

Operator

Certainly. We have a follow-up question from the line of Chen Lin from Thomson Reuters. Please ask your question.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

I think while we wait for Ms. Chen, let us go back to the questions on the webcast.

Chen Lin *Thomson Reuters - Journalist*

Hello? Hello? Hello?

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Oh, sorry. Please go ahead.

Chen Lin *Thomson Reuters - Journalist*

My follow-up question is, a 2019 United Nations reports said that you purchased and exported rice for the Myanmar military-owned conglomerate, MEC. Are you reconsidering this business given the recent event?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

As I mentioned, I said that we will be reevaluating our participation in Myanmar in light of the recent developments, and we will keep you updated once we have made all those determinations.

Chen Lin *Thomson Reuters - Journalist*

Okay. So you...

(technical difficulty)

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

You're not audible. Thank you for the question. Is there another question on the conference line?

Operator

No question at this time. (Operator Instructions)

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

All right. Thank you. While we wait for the next question, let's go back to the webcast questions. Regarding the COVID-19 travel restrictions, have they impacted any of your efforts in the reorganisation plans as well as your strategic growth plans? Sunny?

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

Of course, the travel plans have -- and the travel restrictions have impacted both operations as well as some of the strategic initiatives, but not to the extent that we had first feared.

So I think all of us have learned to adjust and adapt to the new realities of restricted travel and limited travel. And therefore, I think overall, we are very relieved that the restrictions, while it has had some headwinds and created some impacts, it has not been material enough to upset or disrupt our plans.

So as far as the Re-organisation Plan itself is concerned, there has been a very limited impact because of our inability to travel at this point in time, as we are through Zoom and through video conferencing, able to substitute what we would have otherwise achieved by travel and physical meetings. While it's not one and the same thing, I think it is functionally good enough for us to be on track with regard to the re-organisation.

Hung Hoeng Chow Olam International Limited - General Manager of IR

Can I ask if there's any questions on the conference line?

Operator

There is no question at this time.

Hung Hoeng Chow Olam International Limited - General Manager of IR

Okay. There are some questions regarding the update on our Re-organisation Plan. Can you explain the scheme of arrangement that was mentioned in the presentation? What does it mean in terms of the whole -- the new holding company of Olam International, the transfer of the new holding company of Olam International?

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

We have three steps towards the re-organisation execution that we announced today which is the carve-out of OFI and OGA, the listing of OFI in the first half of '22, the de-merger of OFI from Olam, the carve-out of OGA by the end of this year and the potential listing or de-merger of OGA will all require a shareholder approval, will require regulatory approvals of different kinds. And we will need both shareholder approval and regulatory approvals to implement these decisions.

One of the things that we would be considering to get the shareholder approvals and the regulatory approvals as appropriate would be via a scheme of arrangement, which all of you know is one of the ways to do it through a court order process, and that is what is being intended at this point in time. And as we make final determinations on the modalities and the processes and the procedures, we will suitably update the public on that basis.

Hung Hoeng Chow Olam International Limited - General Manager of IR

Two follow-up questions with regards to the de-merger plan. What will be the impact on Temasek's stake in Olam after the IPO? That's the first question.

And the second question is what about your financing plans and preferences change, given your decision to de-merge the 2 operating groups from Olam International?

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

Yes. So I think on the first question about what would be the shareholding of the majority shareholders or all shareholders post OFI IPO, the shareholding will depend on the extent of the public capital raising and the extent of the free float that we are going to have.

So in January 2020 when we announced the plan, our intention was to list roughly 25% of OFI. So all our existing shareholders, if they are not selling shareholders, will proportionately be diluted to the extent that we are raising 25% new capital from new investors. Our current shareholders are all supportive of the business and are all positive about the prospects of OFI and OGA and believe in this Re-organisation Plan. And therefore, we would expect continued support from our key shareholders and from most of our shareholders.

And we are excited about bringing in new investors to help OFI in its next stage of growth and to help OFI in pivoting to becoming a more value-added food ingredients and solutions company because we think, as Shekhar identified and mentioned, that there is a growing demand for a platform that is providing more on-trend, more natural, more plant-based food ingredients, which is all sustainably sourced with supply chain traceability. And given OFI's leadership position in the major businesses that it participates in global leadership position and its sustainability credentials, it is right in the sweet spot of taking the best value from these significant consumer trends.

And as you can see from Shekhar's presentation and what he has articulated, the business has developed a growth algorithm, which we believe will be very attractive to both existing shareholders, continuing shareholders, new shareholders that OFI seeks to attract. And the same will apply for OGA as well.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, Sunny. This is a question for Shekhar. Given Olam's investment into sustainable sourcing, do you see sustainable sourcing becoming a basic requirement for customers in the future and those without the ability to prove or measure carbon footprint will lose out tremendously? And how much do you see sustainable sourcing value add to your margins in the future?

Shekhar Anantharaman I think the -- this process has been happening over a period of time. And if anything, it is getting accelerated over the last few years and certainly through this pandemic. We think many people define sustainability in many ways. So as far as we are concerned, we have created a platform wherein we can curate a journey for all our customers and their consumers in terms of their definition and their focus on sustainability. So whether it is a social impact, whether it's an environmental impact or a livelihood impact, we have a variety of parameters that we have configured in each of our supply chains.

And as we go further, we are building on this capacity to provide this on a digital platform available to all our customers and them to be able to make that available to their consumers as part of their brand promise. And that is really something that we believe is a very strong differentiator that OFI and Olam has been building over many years, and we have taken a significant leadership position and the differentiation we have created with that.

And we think that is here to stay. We think others will have to -- many others are also spending a lot of time and investments in making this happen. And we think this is the right thing for the world as we go forward. And we will play our part in it, and we'll try and ensure that we can provide our customers a truly differentiated, sustainable solution going forward.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

And somewhat related to this question is, are there plans for Olam to have carbon trading?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Yes. As you saw in our OIL slide, the summary slide, one of the new Engine 2 ventures that we are incubating is developing a footprinting solutions business, footprinting and solutions business, a B2C venture called Adva and a B2B venture called Green Pass. So that is one initiative. We are also wanting to commercialise our sustainability digital platform, which is the second one. And the third more direct to the question is that we are developing a sustainability investment landscapes and carbon platform. And that carbon platform will be engaged in carbon trading as well. So these are all Engine 2 ideas. They're all in the early stages of development, and we are exploring and studying these opportunities. But the answer to the question, yes, is yes, we will be considering how we can participate in this opportunity.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Operator, can you open up the line for any questions that has come on the phone line?

Operator

Our next question comes from the line of Anuradha Raghu from Bloomberg.

Anuradha Raghu Bloomberg - Journalist

My name is Anuradha. I wanted to ask about the impact of La Niña. You mentioned that there's the impact of La Niña on crops and there's short supplies of some agricultural commodities. Can I ask which agri commodities are the most affected? And when will supplies start recovering? Thank you.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

What is the question? What's the impact of?

Shekhar Anantharaman La Niña.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

La Niña. Okay.

Anuradha Raghu Bloomberg - Journalist

Of La Niña.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

The -- yes, the impact of La Niña is still developing as we speak. We know the La Niña is onset already, but the severity and the extent of the La Niña is still not very certain. It looks like one of the more pronounced La Niña impacts and events. It will affect many crops, including broad acre root crops like soybean and corn and wheat and cotton, but it will also impact permanent tree crops like palm and like cocoa and like coffee in different regions of the world. We need to see where the La Niña develops into a more severe La Niña implication, and we are watching this space very closely to establish what the final impact of this would be as the growing cycle and crop seasons develop in these countries where the impacts would be manifest.

Hung Hoeng Chow Olam International Limited - General Manager of IR

Can we have the next question on the conference line?

Operator

Our next question comes from the line of Simon Jong from DBS. Please ask your question.

Simon Jong DBS Bank Ltd., Research Division - Head of Credit Research & Analyst

Thanks a lot management team for the presentation. I asked some questions on the webcast, but it's going to be duplicated. So you can just ignore the ones on the webcast that are submitted. I just wanted to --- it might be something done already -- but with regards to the plan for the scheme of arrangement and de-merger of OFI, OGA.

I was just wondering for the bond programme that you currently have, when would the -- would there be impact on the existing bonds? Or will it remain in the -- what is left of Olam? And would you be launching concurrent bond programmes for OFI and OGA? And how would the debt and bond mix be for both entities in relation to Olam?

Neelamani Muthukumar Olam International Limited - MD & Group CFO

So obviously, it's a question that is carefully being evaluated as we speak. Because as we are implementing the Re-organisation Plan and looking at separation and carve-out of these 2 operating groups from the Olam Group and also looking at an IPO and the concurrent de-merger of OFI and subsequent events for OGA as well, what we need to look at carefully is how do we balance the debt portfolio in terms of the 2021.

As you know, short term, in 2021, we are going to be one legal entity, one group as Olam. And as we go through our refinancing our debt portfolio, we will be carefully considering all options in terms of how do we finance these 2 operating groups going forward, what should be the shape and the phase of this debt portfolio that will be the best suited for these 2 new operating groups, while we are able to sustain and support our Engine 2 initiatives at the parent level.

So all of these are in discussion and evaluation. And like what Sunny said in terms of -- from the scheme of arrangement and other action points, as and when we are ready with those answers, we will be able to come out and engage with the bondholders and accordingly update them.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, Muthu. Are there any more questions on the line?

Simon Jong *DBS Bank Ltd., Research Division - Head of Credit Research & Analyst*

Timeline in?

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

In the 2021, because we have to make those determination during the year.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Do you have a follow-up question?

Simon Jong *DBS Bank Ltd., Research Division - Head of Credit Research & Analyst*

Yes. Actually, I just wanted to ask whether, within 2021, are we likely to expect in second half? Or it's kind of in the next quarter or so?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

I think in the second half, most likely towards that time frame, third quarter. And I think the issue is that, obviously, with the substantial capital raise expected, both in OFI and OGA, there would be significantly improved credit metrics for both these entities on carve-out and listing as a result of the operating performance plus the IPO capital raise as well.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Are there any more questions on the line?

Operator

There's no more question on the line.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

All right. We have limited time, and there are many questions, but I will just pick one and let this be the last question if there are no questions on the conference line.

With high prices trending up, what do you think the net gearing of Olam International will go in the next -- in this coming year? Muthu, would you like to take the question?

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

So obviously, the commodity prices are not within our control. And what is within our control is continuous focus on operating working capital productivity. As you all know, we have been, in the last few years, have been having great focus on improving operating working capital productivity.

Beginning of 2016, if you had seen our cash-to-cash cycle time, it was around 150 days. And in spite of a surge in commodity prices in the second half of 2020, we are -- cycle time, the total cash-to-cash cycle time is 73 days. So as you can see, we have done a lot of focus on improving working capital productivity, and we will continue to focus that in 2021 as well. But the impact of the increase in commodity prices is something which is beyond our control, but we will keep a close watch on the same. And what we can do is focusing on where to participate and when to participate and how much to participate. And that will be a dynamic situation, depending on the margin profile of those commodities, depending on the prices and depending on the opportunities that will present for us across our portfolio.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you very much for all your questions. We're running out of time, so we would like to call this session to a close. Is there any other closing remarks you would like to make, speakers?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

So I think it's exciting times for us, both in terms of a strong year in 2020, but more also because of the exciting prospects for OFI and OGA as we carve-out, list and de-merge these businesses from Olam.

Shekhar Anantharaman I'll probably just add to that, that as we go through this process of carve-out, de-merger and listing, it is our intent to ensure that we have our existing shareholders and new shareholders, both remaining invested across both the entities, which have a very exciting future. Thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thank you.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you. And we will see you in 6 months' time.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021 Refinitiv. All Rights Reserved.