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H1 2021 Olam International Ltd Earnings Call

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PRESENTATION

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

A very good morning to all participants at this management conference and briefing for the financial results for the first half of 2021. This earnings call is now live on webcast and teleconference. I'm Hung Hoeng of Olam Investor Relations, and I'll be introducing the speakers from our senior management team and taking you through our agenda today.

But first things first, please read our financial statements and the management discussion and analysis of the first half results of 2021. If you don't have these in front of you, you can find them under the downloads tab on this webcast or on our Olam Group website.

A cautionary note here on forward-looking statements that may be expressed during this briefing. The speakers for today are Olam's Co-Founder and Group CEO, Sunny Verghese, who is dialing in remotely today. And to my left, A. Shekhar, Executive Director of Olam and the CEO of Olam Food Ingredients, OFI; and to my extreme left is Group CFO, N. Muthukumar.

Like before, Muthu will take us through the group consolidated financials and following that, Shekhar as CEO of OFI will present the segmental performance of OFI as well as any important updates around this new operating group. And Sunny, as CEO of Olam Global Agri, OGA and OIL, will take us through the financial performance of the 2 operating groups and will likewise share important updates. He will further discuss the group's outlook and prospects and conclude the presentation with the key takeaways before we take questions.

I'll pause here and hand over the time to Muthu to present his presentation. Thank you.

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

Thank you, Hung Hoeng. Good morning, everybody. I'm very pleased to be here today to present best ever at performance -- operating and financial performance of Olam Group since inception.

We had a fantastic first half of 2021, especially comparing the impact that we had in the first half of 2020 due to the pandemic. We had 11.5% increase in volume to 22.4 million tonnes; more importantly, a healthy 34% increase in revenue to S\$22.8 billion. And 1 of the 2 important operating metrics that we track and report, EBIT grew a healthy 51.4% to S\$642 million. And the second important metric that we track and report, our operational PATMI grew a whopping 116% on a year-on-year basis to S\$437 million.

We had a negative S\$400 million of free cash flow to equity, primarily because of the CapEx and the acquisitions that we have done during the first half of this year including the acquisition of Olde Thompson, which was just under \$1 billion. Gearing was -- stood at 1.6x as compared to 1.29x this time last year.

In terms of the highlights, as I had talked about, from a reported PATMI perspective, we grew 27%, primarily because we had a lot of exceptional income in the first half of 2020, which were not there in 2021. However, as I had indicated earlier, our operational PATMI grew 116% up to S\$437 million as compared to S\$202 million in the first half of 2020. We have a very strong cash position of S\$3.5 billion with ample liquidity of S\$18.5 billion, which I will talk about later during this presentation.

We have continued to access diversified pools of capital, and we have also strengthened the balance sheet recently with the concluded rights issue of S\$601.7 million that we completed in July. We are very pleased to announce that our Board of Directors have declared an

interim dividend of S\$0.04, up from S\$0.035 that we had declared as an interim dividend in the first half of 2020.

If you look at the consolidated results by operating groups, in terms of the volume, roughly 90% of our volumes came from OGA, 8.5% from OFI and the balance from OIL. In terms of revenue, 68% of our revenue came from OGA, roughly 30% from OFI and the balance from OIL.

In EBIT terms, we had 63.5% of our EBIT contributed by OGA, 49.3% by OFI, offset by EBIT losses from OIL, which houses our divestment assets as well as gestating assets. We have a total of S\$18 billion of invested capital as at first half of 2021. Out of which, roughly 63% is constituted by OFI, 20% by OGA and the balance by OIL.

I talked about volume growing by 11.5% to 22.4 million tonnes in the first half of 2021, mainly contributed by both operating groups, OFI and OGA, with OGA having significant increase in grains trading volumes as well as rice trading volumes. And as expected, OIL had a lower volume as we continue to divest the identified non-core assets during the first half of this year.

EBIT up a healthy 51.4% to S\$642 million and both, again, contributed strongly by the operating groups OFI and OGA to S\$642 million from S\$424 million first half of last year.

Operational PATMI, as I had talked about, more than doubled to S\$437 million, here again, contributed by strong performance, contribution by EBIT growth, reduction in net finance costs offset by higher provision of taxation because of higher profitability and also as I had indicated earlier, lower exceptional items during this first half of 2021, thereby moving from S\$202 million to S\$437 million of operational PATMI in the first half of 2021.

Our invested capital grew 15% on a year-on-year basis primarily because we had invested in both organic and inorganic CapEx during the first half of this year from S\$15.5 billion to roughly S\$18 billion. We also had increase in working capital due to volume growth that I had explained earlier as well as a secular increase in commodity prices across most of our products in our portfolio.

Our net gearing stood at 1.6x; and adjusting for readily marketable inventories as well as secured receivables, it stood at 0.56x as at 30th June 2021.

Our free cash flow to equity was at negative S\$400 million primarily due to significant CapEx investments that we have done during the first half of this year. We have ample liquidity supported by S\$3.5 billion of cash, roughly S\$5.5 billion of readily marketable inventories, close to S\$2 billion of secured receivables and more importantly, S\$7.5 billion of unutilized bank lines, totaling up to S\$18.6 billion of available liquidity, which gives us a headroom of a comfortable S\$3.5 billion.

With that, I will hand over to Shekhar, the CEO of OFI, to present the segmental performance. Thank you.

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

Thank you, Muthu, and good morning to all of you. Thank you for joining us today. So I will be taking you through the half yearly results for OFI. But just before I start, I just wanted to give you a snapshot of OFI. As you are all aware that last year, in January 2020, we announced a reorganization of -- within the Olam Group. And the 5 businesses, which are leading global platforms, cocoa coffee, nuts, spices and dairy, came together to form what we now call OFI. And what really brought these businesses together were the common customers that they serve, the common categories, end use categories that we serve in bakery, confectionery, beverage, snacking and culinary and the common channels through which we service these customers, whether it is the large global CPG companies or the regional brands or the private label retailers or the foodservice outlets and the common channels by which we service these customers and the common capabilities right from origination through sustainability, through digitization and the innovation capacity that we are building on top of that.

It is these 4 things, the common customers, the common capabilities, the common channels that -- and the common end use categories that we service that brings this business together, and it's a substantive business. In 2020 despite the pandemic, which affected certainly the first half of the business, OFI is at S\$12.5 billion in turnover, roughly over S\$1 billion in EBITDA and about S\$800 million in EBIT. But

more importantly, has a global network with a small holder farmer base of 2.6 million farmers across the globe with over 100 manufacturing facilities servicing over 8,000 customers. So it's a large substantive business today.

What really is exciting about this combination, which has given us a lot of focus, it has given us a portfolio of 5 on-trend business platforms, which are global leaders in their own right. And they are -- they provide us a mix and provide our customers, more importantly, a mix of plant-based ingredients, which find a variety of use across very large, attractive and growing end-use markets.

And I mentioned bakery, culinary, snacking, beverages. These are all high growth rates, 5%, 6% per annum. And the opportunity that is in front of OFI is to be able to combine the capacity across these products to deliver real applications and value-added solutions. And in that, we are very unique in the industry in the way we can combine our back-end sustainable, traceable chains, supply chains, creating significant sustainable impact across the chain and then delivering these products and solutions to our customers across the globe.

And that's what has made us a very trusted partner to over 8,000 customers covering a large number of the global food brands that you'll all recognize, the large private label retailers as well as the foodservice chains and outlets that each one of us go to every day.

And all this is brought together by a very solid management team, deep knowledge in the local market that we operate in, deep expertise in the businesses that we deliver and the capabilities that drive the value to our customers. So that is the power of the OFI business, which was born 18 months ago. And you'll -- I hope that you will see the part of this business transmitted through the half yearly results that it's my pleasure to share with you.

So for the first half of this year, as Muthu had highlighted, we have an EBIT growth of 23%, and it is across both the segments that we report in, the Global Sourcing as well as the value-added ingredients segment. I'll talk about both these segments individually in a minute, so a very substantive 22% growth in earnings.

We have also invested during this period, and there have been various announcements that we have done both in terms of our organic investments in the soluble coffee manufacturing facility in Brazil, in a dairy manufacturing facility in New Zealand, which are both coming up and will come onstream sometime end of '22, early '23. But also, we have done some inorganic acquisitions. Early on in the year, we announced acquisitions in the spices business, in the chilli pepper business in the U.S. and then followed by a large private label business, the Olde Thompson business that you're all aware of.

So that is -- that along with the higher prices in some of the commodities, the raw material pricing, that has contributed to an increase in the invested capital also. But overall, very pleased with the strong recovery from the first half of last year, which was deeply impacted by COVID for the business. And we already saw growth in the second half of last year, but this growth on top of that is very, very pleasing.

So if I look at the 2 segments, and again, we have mentioned this -- these are the 2 segments that we started reporting from first half of last year, they are both very important parts of an integrated platform. So the Global Sourcing offers us the capacity to work in -- across all the producing countries for the raw material to be able to manage the raw material, in a food safe form and manner, creating sustainable impact through the chain and delivering them to our manufacturing facilities where we do the value-added solutions and the value-added ingredient solutions for our customers. So both these segments are very interlinked and very important to the larger business and the larger value that we provide to our customers.

So on the Global Sourcing, we saw a 42% growth in EBIT on an overall invested capital increase of 6.5%. There was volume growth but more importantly, significant margin growth. And this was, I must -- part of it was because of a very poor first half last year. But even otherwise, the overall margin growth that we have seen and experienced across all the platforms has been quite encouraging, and we're very pleased with that.

I must call out in this segment an exceptional performance by the coffee supply chain business, which had seen almost 2, 3 years of very depressed prices. But starting from the second half of last year, the prices have corrected. And of course, in the recent past few months, the prices have gone up quite strongly because of the drought and frost in Brazil.

So today, that business, because of the focus on the supply chains, our capacity to manage these supply chains despite the various disruptions, has done very well on the volume but more importantly, on the value that we are bringing out through our specialty coffee, through our certified sustainable coffee that we supply to all the major roasters in the world.

In addition to that, the nuts business again in cashew and hazelnut, which had got impacted prior period has also had a very, very good performance in the first half. And the dairy supply chain, which was hurt by the COVID especially in China last year, has also had a very good performance this year.

We have been a bit slow in terms of the origination volumes and the cocoa bean side, which was facing margin pressures in the first quarter of this year. But that has been changing, as we speak, in the last couple of months of the first half, so it is poised well for the second half where the real seasons in West Africa start. So overall, a very good performance in Global Sourcing, and that Global Sourcing in the part that it adds to the value-added ingredients will be -- is very critical for the overall performance of OFI.

So on the Ingredients & Solutions, and this is an area where we are investing quite heavily in the manufacturing capacity, in the innovation capabilities, in the category expertise. So a lot of investments in this place, both organic and inorganic, but we are seeing a 13% growth in earnings, albeit on the top of a 60% growth in the investment, which has been on the areas that I outlined. And again, here, soluble, I'd like to call out the performance of soluble coffee, hazelnuts while cocoa processing had a tough -- some margin pressures in the first quarter. But that is again recovering, and so therefore, we expect that to stabilize and improve during the second half.

Spices as a business that had a very good performance through last year, and it's still seeing some growth, but it's seeing some slowing down because of -- not in slowing down on demand, but probably there was an excess covering of raw material. We've seen some slowing down, but overall, that business is also doing very well.

And then last but not the least, the dairy processing manufacturing businesses where we provide value-added blends out of Malaysia, that business also expanded capacity and is looking at a significant growth going forward.

So overall, the Ingredients & Solutions business on top -- have grown 13% on top of a 42% growth in the Global Sourcing business overall contributing to a 23% growth in EBIT for OFI as a whole.

So -- and this brings me to the last bit that I wanted to share with you, which is an important milestone in OFI's journey to be an independent publicly listed company that we had announced some time ago. We are on course for a listing in H1 of 2022. The separation and carve-out within the larger Olam Group will happen by the end of this year. And along with the listing, which is planned in the first half of '22, we'll also be demerging OFI and -- at that point of time along with the listing.

So we had advised you that we are doing a thorough analysis of various stock exchanges that we are considering for the listing. I'm pleased to announce that we now intend to have a structure with a primary listing on the premium segment of the London Stock Exchange along with the concurrent listing in Singapore and we believe that this will give us the best possible way to tap the investors globally. We see significant interest in this, in the food and beverage industry, especially for companies which can deliver traceable, sustainable value-added solutions. So we see tremendous investor interest, and we believe that this combination of London and Singapore will enable us to talk -- will enable us to tap the deep, diverse capital markets of London, the large institutional investor base there as well as the very good understanding and research coverage of this industry.

And at the same time, the listing in Singapore will enable us to retain our existing strong shareholder base here as well as tap into the higher, greater investor appetite in Asia. So very pleased with this, and obviously, this will -- over the next 10 to 12 months, there will be various points of time when we'll be sharing the progress of this proposed listing.

And in closing, what I'd like to say is that the H1 results for 2021 and our outlook for the second half will -- we believe, will give us a strong momentum going into 2022 as we take this business to the global investors. And we will continue to be very deliberate and disciplined in terms of backing our growth strategy during this time, extracting full value for what we have already invested in and

integrating some of the acquisitions that we have done as well as investing further behind our growth.

So with that, I'll hand over to Sunny to talk about another very exciting crown jewel that we have in the Olam fold. Sunny?

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

Thank you, Shekhar. Good morning, everybody. As Shekhar has mentioned, I will take you through the performance as well as a brief background on both OGA and OIL, and let's start with OGA. So OGA is positioned as a global market-leading and differentiated food, feed and fiber agri business focused on high-growth consumption markets, mainly emerging markets. And as a result of our differentiated business model and participation, we have very high capital efficiencies and generate very high returns.

As a brief snapshot in terms of the scale and scope of this business, it is a business that operates in 30 countries. It has more than 50 manufacturing plants across these 30 countries. It has traded about 40 million tonnes in 2020, and you can see that it has grown those volumes in the first half of this year by almost 16%. It generated an EBITDA last year of S\$598 million and an operating profit EBIT of S\$462 million. And over the 3-year period, '18 to '20, it grew operating earnings by a compounded 41% (US\$ based) and EBITDA growth by a compounded 38% (US\$ based), and it had generated EBITDA to IC of roughly 14% in the last year, which has improved this year.

So if you look at the key highlights of the OGA business, is firstly, OGA is participating in an attractive sector, which is the food and agri business sector, which has some structural elements or trends that make the sector attractive. So first is a growing demand for food staples, fiber and industrial products in the fast-growing emerging markets. Second is the whole food security agenda, which has got a little bit magnified during the COVID crisis. Third is the shift in dietary habits from a carbohydrate cereal-based diet to a more protein-based diet. And finally, it is about having sustainable supply chains across the food, feed, fiber and industrial complex. And Olam Global Agri is well positioned in the sweet spot of these fundamental trends.

Secondly, within this attractive sector, OGA has found a way to differentiate its business model in terms of being an asset-light independent merchandiser that has allowed it in combination with its key operating capabilities of origination, of merchandising, trading, distribution, processing, risk management and sustainability -- market-leading sustainability credentials to be generating returns as well as capital efficiency, which are significantly higher than the median or average for the peer group or the industry. So that is the second big issue in terms of differentiation.

The third is it has developed a very clear and granular growth pathways in profitably growing its earnings over the next plan period. And this has also been anchored around its historical track record of generating the growth rates that I spoke to you about. It has a very seasoned and experienced global management team. And finally, it leads the industry in terms of sustainability as far as delivering climate-positive, nature-positive and livelihood-positive food, feed and fiber agricultural supply chains.

If you look at and move to the performance for the first half, it has been a record year. We had a very good year last year. But on top of that, this year has been a record year with OGA's top line growing at 44% driven by an underlying volume growth of 13%. But more importantly, it has had operating profit growth, EBIT growth of 59%, which is one of the best that we have recorded since inception.

If you look at also the S\$408 million of operating profit it has delivered in the first half, you will see it is well balanced between the 3 principal segments in OGA. So it is roughly 1/3 each from the Food & Feed - Origination & Merchandising segment; 1/3 from the Food & Feed - value-added, processing segment; and roughly 1/3 from the Fibre, Industrials & Ag Services segment. So it's broad-based performance.

It has overall improved margins, which is EBIT per tonne from S\$14 in 2020 to S\$20 in the first half of 2021, which is roughly a 42% improvement in margins. As a result of our differentiated model, our customer supplier partnerships, our operating efficiencies combined has delivered this improvement in margin growth as well.

In terms of invested capital, while it has grown revenues by 44% and operating profits by 59%, its invested capital, although in a high commodity price environment, has grown by about 18.1%. And that reflects the capital efficiency and the cycle time that this business, based on its business model, has been able to generate.

Moving on to segmental analysis. If you move on to the Food & Feed - Origination & Merchandising segment, it grew EBIT, operating profit by 62% compared to the first half of last year from S\$90 million EBIT last year to S\$145 million EBIT in the first half of this year. And if you look at the EBIT per tonne margin, it has improved from S\$6 a tonne last year in 2020 to S\$9 a tonne this year in the first half. So there has been an improvement of 50% in the margins in the Origination & Merchandising business in the Food & Feed segment. It has grown invested capital about 7%. So from a return point of view, EBITDA to IC or EBIT to IC, it has improved compared to the prior year.

If we move on to the next segment, which is the Food & Feed - Processing & Value-added segment, which includes our wheat milling, our pasta manufacturing, our rice milling operations, et cetera, we have grown EBIT by 13.5% from S\$115 million in the prior year to S\$130 million in the first half of this year. And if you look at this segment, last year, we had an EBIT per tonne margin of S\$63. This year, we have delivered an EBIT per tonne margin of S\$57, so there's a S\$6 per tonne decline in margins, which is roughly a 9% decline in margins because as a processing and value-added operation, its input costs and raw material costs, given the commodity price inflation that it saw, slightly depressed its margins this year compared to last year.

And if you go on to the final segment, which is the Fibre, Industrial & Ag Services segment, as you are aware, when we briefed you in the first half results of last year, we had said that this segment had faced the full brunt of the worst impact of COVID-19. And that has been a sharp turnaround as most of the economies globally started recovering and snapping back sharply from those worst impacts of COVID-19 in 2020.

And as a result, the operating profit has almost tripled, S\$52 million last year, first half, to about S\$132 million this year. So 154% growth in operating profit in this segment led by cotton, the wood, rubber business as well as the Commodity Financial Services business all contributing to the strong growth, with cotton in particular having a significant rebound from 2020. The margins in this business improved from S\$49 per tonne -- EBIT per tonne last year to S\$111 EBIT per tonne this year, which is a margin improvement of 126% between the 2 comparable periods.

Finally, moving to the last slide on OGA. As Shekhar mentioned the OFI carve-out process, OGA's carve-out is progressing very well; and like OFI, OGA will also be carved out by the end of this year. We are pursuing similar strategic options as OFI in terms of growth strategies that can maximize OGA's long-term value, and this includes potentially an IPO and a concurrent demerger sequentially after the OFI IPO.

We do not want to have the challenge overload of managing 2 IPOs at the same time, and we want to therefore focus first on the OFI IPO and then subsequently on the OGA IPO and demerger. We are expecting to be on plan and complete this latest by the first half of 2023, but there is a probability and likelihood that this might happen in the last quarter of 2022.

We have also seen that OGA has delivered record results as I just explained, and it continues to take advantage of the key secular trends that are underpinning the food, feed, fiber, ag business. All of these structural trends is being exploited by our differentiated business model, our long-term supplier and customer partnerships and our operating capabilities in origination, in logistics, in merchandising, trading, distribution, processing and sustainability.

With that, I want to move on to the last piece, which is about OIL. As you know, OIL, after you covered OFI and OGA, has 3 component parts to it. The first is the warehousing of our deprioritized/exit assets. And in this component, we also have the nurturing and monetization of our gestating assets. We have roughly about 15 deprioritized assets to still exit responsibly. And we have 3 gestating assets that we are nurturing to full potential and monetizing them as well.

The second component of OIL is the Olam Ventures business, which is our corporate incubator that is responsible for our Engine 2 new platforms for growth.

And the final component of OIL is the Olam technology and business services solutions, which is our shared services operation that will initially provide IT and IT-related shared services including information security, IT infrastructure, et cetera, to first OFI, OGA and OIL and

potentially, over time, this will provide third-party services for IT and IT-related activities to third parties.

So if you look at all of these 3 things put together, which comprises OIL, we have had, in the first half, lower EBIT or operating profit losses compared to last year against S\$90 million first half loss last year. In this group, we have, this year, reduced that to S\$82 million. Because we have closed down and shut down various businesses, including the Olam tomato processing operations in the U.S., selling off our remaining stake in our sugar refinery in Indonesia, exiting from one of our sugar mills and selling out that sugar mill in India, all of these divestment decisions that we took has reduced our revenues between last year and this year and -- but also reduced our losses between last year and this year as far as the first half is concerned.

On the second piece, which is the Olam Ventures piece, which is the incubator for our Engine 2 initiatives, we are making good progress across the 6 initiatives, including the farmer services platform, Jiva, which is now commercially being launched. We have moved from the beta phase to a full-fledged launch. We have -- are making progress and are now at the beta phase of development of the carbon lifestyle management platform, B2C platform called Adva. We are at the MVP development stage in our B2B smart carbon management platform called Green Pass. And we are in the early stages of incubating our carbon trading and sustainable investment landscapes Engine 2 business.

We have got good traction to co-creating the digital sustainability platform based on our sustainability and digital expertise that we have. And we are in the market testing and pilot marketing phase for our purpose brand, Re-, purpose brand business as well. So all our Engine 2 initiatives are making progress, and we are hopeful that some of this will become very valuable for Olam over the long term.

I want to conclude with business prospects and outlook. So given the very strong first half performance with the operating profit nearly more than doubling by 116%, we are -- we believe that the second half looks promising, and we expect to have a good set of full year results, although the COVID pandemic and the resurgence in different regions will make this recovery patchy and not consistent across all parts of the globe. But we think that the -- there's above-trend growth in most markets and therefore, globally as well, and that will stand as well for our prospects for the second half.

And all of the actions that the governments have been taking both in terms of monetary and fiscal support, we believe, will continue for the rest of the year at least, and that provides a tailwind to the prospects of this business and augurs well for our business.

Notwithstanding the COVID-19 impacts, we play a very vital role in maintaining the essential supply chains for providing food, feed, fiber food and feed -- food ingredients and food ingredient solutions to more than 13,000 customers in over 70 markets worldwide. And we believe that we are in a good position to maintain the resilience of our supply chains to play this important role in our sector.

We are very pleased with the reorganization plan. We are very pleased with the success of our rights issue, S\$600 million that we raised to fund the transformational acquisition of Olde Thompson and the progress that we have made in terms of the OFI listing venue announcement and the appointment of our bankers to manage this IPO for us. So we remain positive about our prospects for the second half and look forward for a good full year in 2021.

So in summary, I just want to leave you with 3 takeaways: firstly, a record operational PATMI performance, which more than doubled our operational PATMI to S\$437 million; record EBIT growth performance, where OFI has grown 23% and OGA has grown 59% compared to the same period last year, so very strong record operational profits -- PATMI profits.

Second, the reorganization plan, as Shekhar has explained, is making good progress. OFI has announced its intention to concurrent listing a primary premium listing in the London Stock Exchange and a secondary listing in Singapore by the second quarter of next year. The concurrent listings will give of access OFI access to a broad and diversified institutional investor base and long-term shareholder base in London. It will give us access to a very deep and broad-based capital markets in London and Europe. It will -- it's also a place and location where the industry is well understood, sufficiently researched and top quality analysts covering that sector. And our continued presence in Singapore through our secondary listing will allow us to continue to grow with our loyal local shareholder base and also the growing investor base in Asia and the important Asian markets. So this combination will be the best arrangement for a successful listing and concurrent demerger of OFI from OIL.

And as I mentioned, we are exploring similar strategies to drive the long-term profitable growth of OGA and maximize long-term sustainable value creation in OGA as well and expect that will be completed latest by the first half of 2023, hopefully by the end of 2022.

We've had a strong recovery and bounce back both in 2020 but exceptionally stronger in the first half of ['21] (corrected by company after the call), and we are confident about the prospects as we speak today for the rest of the year. Thank you very much, and we are happy to take questions.

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

Thank you to Muthu, Shekhar and Sunny for the presentation. We'll now move on to questions. Can the operator check for the questions that are coming online, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) There are no questions at this time. Speakers, you may continue.

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

All right. Thank you, operator. There are many questions coming through the webcast. The first question is can we have an updated shareholding structure after the rights issue. And a related question to this is how much of OFI will the Olam shareholders continue to hold. And earlier on, there was a statement that intention was to list 25% of OFI. Is there any update on this count? Sunny, would you like to give an update and answer this question? Thank you.

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

Yes. Post-rights issue, the shareholding is roughly as follows: Temasek Holdings, 53.2%; Mitsubishi Corporation, 15%; Kewalram Chanrai or KSL, Kewalram Singapore Limited, which is the vehicle through which the Kewalram Chanrai Group is a shareholder is 7%; the executive directors and other directors of the company, roughly 5%; Orbis roughly 5%. These are the major shareholders of Olam post the IPO -- sorry, post the rights issue. Apologies, post the rights issue.

I think the second question was in terms of the size of the OFI IPO, that is not determined yet. That will be determined closer to the IPO, but we believe that this will be a significant IPO in the London market. And one of the reasons that we also want to do this IPO is to support the growth of OFI, which has exciting prospects, and therefore, it will be appropriately sized with adequate free float.

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

And the question from the webcast participant is regarding how many -- how much the Olam shareholders will likely participate in the OFI IPO. And earlier on, there was a statement that we are likely to list 25% of OFI in the market? Is there any update on this count?

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

So as I mentioned, we cannot speak on behalf of any other shareholders. All that we know is that the shareholders like our reorganization plan. The major shareholders are all supportive of our reorganization plan, and we believe that they will continue to support OFI after OFI is carved out, listed and demerged, and they will all remain shareholders of OFI. But this question is better directed at the shareholders. But all indications that we have from our shareholders is that they like the reorganization plan. They like OFI, OGA and OIL, and they will continue to support and have -- and back what we are trying to do with this reorganization to unlock long-term value for all our shareholders.

The OFI IPO size, as I mentioned, is not determined yet. I think 25% free float is a reasonable benchmark. And I think we will have an appropriate free float, but that is not yet determined.

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

I'd just add to that question that we would expect all current shareholders of Olam at the time of demerger, getting shares in specie in the operating entities, in OFI and OGA, when that demerger happens. So therefore, off the bat, all current shareholders will have a stake in OFI, and then there will be an IPO, which will bring in new investors. So we hope that current shareholders stay on with OFI as well as we get a great quality of new investors also joining at the time of the IPO.

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

Thank you. The next question is for Muthu. The working capital days have shortened to about 51 days as of 30th of June this year, markedly lower. Can you share what is the reason for this? And is it likely to be sustainable? That's the first question. Muthu?

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

So first, definitely pleased with reduction in cycle time, overall cycle time of the group. Seasonally, if you can see, first, end of June is probably the lowest quarter or the period for us in terms of utilization of working capital. And Q4 and Q1 of our operating year typically will have higher utilization of working capital because of seasonality.

In terms of this level of cycle time, I -- we don't think it is sustainable. We will be probably more comfortable between an 80 to 100 days of cycle time. And that would be probably the more appropriate cycle time we would be expecting in a steady state.

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

Next question is for Shekhar. What -- who does OFI see as its closest peers?

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

So there are no direct comparables in the business, which participate in the 5 product platforms that we participate in and participate certainly in the way we participate across the chain, right from the farm, farming in some areas as well as managing the smallholder network and then taking care of the produce across our manufacturing capacities, innovation centers and delivering to the customer. So there are...

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

Shekhar, you have to speak a bit louder. We can't hear you well.

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

Is this better?

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

Yes.

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

Sorry about that. So I was saying that there are no direct comparables for OFI in terms of industry participants who operate across these 5 product groups and certainly operate the way we operate across these groups with a sustainable, traceable supply chain right from the farms that we manage and own -- and a smallholder and large grower network that we manage and through our manufacturing facilities and innovation centers. So in that context, there are no direct competitors at probably a global level. But in each of the individual product groups and certainly in the regions, we have local competitors or some global competitors who operate across the producing countries servicing similar customers and categories. So they would be some of the competition in specific platforms or specific subsectors, both in the regional markets as well as in the regional producing countries.

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

Sunny, we have the same question for you as well on how do you see peers for OGA.

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

So OGA has 2 categories of peers. There are global peers and there are regional peers. Amongst the global peers, there would be folks like ADM, Bunge, Cargill, Dreyfus, Wilmar, COFCO as examples. Under the regional peers, we would have people like Godrej Agrovet, for example, in India and other participants in different regions as well. So there is a set of global and local peers, regional peers that the OGA business would be comparable to.

But there is a difference between the OGA business and these peer groups. So one is our growth rates are much higher. We are obviously smaller than most of the first few names that I mentioned. We have higher capital efficiency in terms of return on invested capital, and we have significantly better returns in terms of ROE. All this is coming from the differentiated way in which we participate, the trade flows in which we participate and the operating capabilities that we bring to bear as a result of the differentiated model and our deep supplier and customer partnerships, including dealing with more than 2 million farmers in our supply chain.

Hung Hoeng Chow Olam International Limited - General Manager of IR

All right. Thank you. And what will happen to OIL after the IPO and demergers of OFI and OGA from the Olam Group? Sunny?

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

As I mentioned, OIL will have these 3 component parts. It'll have a gestating business and exit business piece. It will have Olam Ventures, which is Olam incubator. It will have Olam technology and business service solutions, which is a shared services operation.

What will be the shareholding structure, et cetera, for OIL is still to be determined, and that will be shared as soon as those determinations are made.

Hung Hoeng Chow Olam International Limited - General Manager of IR

All right. Thank you. I'll pause here from the questions from the webcast. I want to check in with the operator whether there are questions coming in from the conference line.

Operator

(Operator Instructions) We've got our first question, comes from the line of Kim Yen Chia from SMBC.

Kim Yen Chia Sumitomo Mitsui Banking Corporation - First Vice President, Corporate Research

I got a question on OIL. So can you give us a timeline in terms of how you plan to -- how long do you plan to exit the deprioritized business segments? And how would this look like in the next couple of years? And also, any updates on the situation with Olam Palm Gabon?

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

Sorry, the last part of the question, I didn't hear. What was the last...

Hung Hoeng Chow Olam International Limited - General Manager of IR

There are 2 questions. The first question is how long it would take for us to exit the deprioritized assets. The second question is, is there any update on the Olam Palm Gabon post last year's impairment.

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

Okay. So on the first part of your question, we have, as I said, roughly 15-odd assets that -- of different sizes that we want to responsibly exit, and that could take around 2 to 3 years at the outer limit in our opinion. And as far as the gestating assets are concerned, they will be partially or fully monetized over time.

And that will be the same kind of time frame. On the second part of your question, which is about OPG, it has had a good first half. As you know, palm prices have gone up as well. But more importantly, there have been significant operational efficiency improvements, reduction of costs and many of the other things that we worked on, including starting the irrigation project. We have not yet put the irrigation in place, but we have started the project in terms of executing on the irrigation project. We are looking at setting up a biodiesel

plant as there is now a mandate in Gabon for 30% biodiesel from non-fossil sources. So as that completes and the gestation is over, we will expect this to be EBITDA and cash flow positive within the next couple of years, although in the first half, it is already EBITDA positive.

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

Does that answer your question? The line wasn't very audible. If it's all right, I would like to move to the next question on the line. Thank you. Operator?

Operator

(Operator Instructions) There are no further questions at this time. Speakers, you may continue.

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

Right. There are a lot of questions that has come on webcast. There's a follow-up question on OIL. Is OIL delisting going to happen? Sunny, would you like to comment on this question?

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

That determination has not been made at this point in time. Anyway, delisting is an issue really to be led by shareholders. But all of those options will be evaluated and that determination will be made in due course, and we will keep the market apprised of that decision. But nothing has been determined at this point in time.

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

Right. Thank you. This is -- there are a lot of questions on the distribution of debt and capital across the 3 operating groups. As we are embarking on this capital structure exercise, Muthu, would you like to give an update to all our bondholders and debt holders on this count?

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

Sure, Hung Hoeng. As we speak, the debt reorganization plan and the targeted capital structure for the 3 operating groups is underway. It is work in progress. And we believe that we will be able to complete this process in its entirety by end of this year.

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

There's a question that has come regarding the reorganization. Do you have an estimated ballpark for the expected one-offs and non-recurring expenses in the second half of this year in relation to the reorganization?

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

Yes. There will be one-off restructuring and nonrecurring expenses related to the separation exercise and everything else. We don't have a number that we can share with you at this point in time, but those will be incurred during the second half of the year and mostly in the last quarter of this year. And that will be there, but they will be one-off, nonrecurring and specific to this project.

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

There's a question on the rights issue. Is it possible to share why Mitsubishi Corporation did not subscribe to the recent rights issue? Sunny?

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

Mitsubishi Corporation has told us that they are very pleased with the long-term direction of Olam. They're very pleased with the reorganization including the carve-out of OFI, OGA and OIL. They fully supported the Olde Thompson transaction, and they will continue to remain a long-term shareholder of Olam. And they have their own portfolio and investment priorities and have decided that they have a sufficiently large exposure in Olam already. And they are pleased with the course and direction that Olam is taking, and therefore, that is the reason.

Obviously, you're free to directly approach shareholders, and they will speak on their behalf. But they have explained their position to us as having a substantial shareholding in Olam, will continue to support Olam's plans, fully endorse the restructuring and reorganization

plan, and the OFI carve-out listing and IPO, same thing for OGA and OIL. Very happy to see the pivot that OFI is making in terms of the transformational acquisition that they did, including Olde Thompson and fully supportive of all of this.

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

Now we switch gears back to OFI. Can you comment -- Shekhar, can you comment on where the management will sit with the dual listing?

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

As you're aware, OFI is a global business. And even as we speak, we have a large operation in the U.S., large operations in Europe, both split between U.K. as well as Netherlands and a large set of our operating managers and functional people sitting in Singapore. So we expect the OFI operation post listing to be dual headquartered between U.K. and Singapore. And we'll have senior operating managers, business managers as well as functional managers operating from both locations. And there will be continuing people who are senior -- already present in U.S. and Netherlands as well. So we'd expect these 4 locations to have most of our operating people.

Our logic is to keep disruptions at the least amount so that the business operations don't get affected by this. And that's how we are going to be structured post the listing.

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

And for OGA, Sunny, there's a question on what you think about the listing venues for OGA.

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

OGA listing venues have not been determined as yet, like the process that OFI has followed. We are assessing various competing alternatives where we can list for this kind of business. And all of the major listing venues are being assessed as we speak.

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

Right. Thank you. Can we go back to the conference line to check in on the number of callers and if there have questions there?
Operator?

Operator

(Operator Instructions) There are no further questions at this time. You may continue.

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

Thank you. Two questions have come in. One of them is OFI, Shekhar. Will OFI access more capital markets for funding or the banking market after it's carved out?

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

Obviously, based on the capital structure, there will be a certain amount of debt that will go into OFI at listing. And subsequent to the capital raised in the IPO, we will work through the investment options that we have and appropriately structure the debt accordingly. But we expect that post the listing, we will create a lot of firepower both on the equity and the debt front to look at the next 3 years of our opportunity pipeline that we believe OFI is building up already. And so we will take an appropriate mix of debt as reflective of the size, scale, scope and the peers this business have in the London market.

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

This last question is relating to the IPCC report. Sunny, this is a question for you. Could you share your views on whether you see the urgency of climate change as alerted by the IPCC? Would that impact the way Olam operates? And if so, any specific major changes or risks you would like to tell the market?

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

The IPCC report is only a confirmation of what we already knew and reinforces the even greater urgency to act now in terms of mitigating the impacts of climate change. So the climate crisis, which is now a climate emergency, and Olam's own strategy both at OFI, OGA and OIL to develop a business that is climate positive, nature positive and livelihood positive drives our business.

And in OFI, it is a market-leading sustainability credentials, and OGA also has market-leading sustainability credentials. And most of OIL's businesses that we are developing under Olam Ventures, everything is based on sustainability and digital as twin engines.

So I think the urgency with which Olam is acting and the innovative way in which Olam is acting, to be a climate-positive, nature-positive and livelihood-positive company is already well established and demonstrated. And our actions will continue at pace to make sure that we have a business that is fully adapted and mitigates these impacts on our business but also work collaboratively with multi-stakeholder groups to make sure that our sector also becomes sustainable and we transform -- and have systems transformation of the whole food and agri business sector.

So I would encourage you to go through all these strategies, programs and deliverables and impacts that we have generated, and that is detailed in our annual report with very specific examples, programs, measurements, impacts, and deep insights into how these are creating transformations in the landscapes in which we operate. So we take it very seriously. We are very actively participating in all of the 3 major global forums this year around this, whether it's COP26, whether it's a biodiversity convention in China or whether it's a Food Systems Summit, we are playing a very involved and engaged role in these forums.

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

Thank you. There are no more questions from my side. Operator?

Operator

There are no further questions at this time. (Operator Instructions) No further questions.

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

Thank you, operator. Before we wrap up today's presentation, we'd like to just ask the speakers whether they have anything to close the session before we end.

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

I'd just like to say that really record results for the first half, confident about our full year prospects, material progress on the reorganization plan with the listing venues announced and the plan for IPO and demerger for OFI and sequentially for OGA crystallizing further, a very successful rights issue, the largest ever sustainability offering in our sector in terms of an AtSource-linked sustainability loan that we have put in place for \$1.75 billion, which means in the last 3 years, we have raised almost \$3.75 billion sustainability-linked financing.

And the transition of the OFI business from a raw material supplier to a value-added food ingredients and foodservice solutions and both the OFI business and the OGA business being well positioned, in the case of the OFI business, as a leading natural, plant-based, on-trend, sustainably sourced, traceable food ingredients and food ingredient solutions business, exploiting the trend of healthy, nutritious traceable, sustainable food; and OGA leveraging on the secular trends of growing consumption food staples, food security agenda issues, and also dealing with food habits and transitioning of food habits. So both these businesses are very attractive.

We have great optionality, real option value in what we are developing in OIL in terms of both a corporate incubator for our Engine 2 platforms as well as our Olam technology and business service solutions operations. And finally, on the gestating assets, we think there's a lot of value that we could potentially extract and successfully divest our deprioritized assets.

So overall, that is a very quick summary in terms of takeaways that we would like to share with you today. Thank you all for coming and participating.

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

Thank you all.

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

Thank you.

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