Re-organisation of Olam: Unlocking long-term value

20 January 2020 | Singapore
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This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries (‘Group’) that are of a forward-looking nature and are therefore based on management’s assumptions about future developments.

Such forward looking statements are intended to be identified by words such as ‘believe’, ‘estimate’, ‘intend’, ‘may’, ‘will’, ‘expect’, and ‘project’, and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.

Potential risks and uncertainties includes such factors as general economic and market conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam’s future financial results are detailed in our listing prospectus, offering circulars, listed in this presentation, and/or discussed in today’s news release. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward-looking statements.
We are **successfully implementing** our **Strategic Plan 2019-2024** and have **met the key strategic deliverables** of the first year.

Our strategy was informed by **4 key trends**

- Right-for-me
- Right-for-planet
- Right-for-producers
- How I live & consume
- How it’s produced

We developed **4 key strategic pathways & identified 4 enablers to execute this Plan**

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<td>Streamline, Focus &amp; Strengthen our portfolio</td>
<td>Improve margins</td>
<td>Offer differentiated products/services in existing &amp; new channels</td>
<td>Explore investments in new engines for growth</td>
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<td>Operational Excellence</td>
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**Olam**
Strategic Plan FY19-24 Progress: **Pathway 1 & 2**

**01 Streamline, Focus & Strengthen our portfolio**

Divesting deprioritised businesses & related assets, and recycling capital

- ~US$700m of Invested Capital released (vs. US$1.6b targeted over the FY19-24 period)
  
Examples: Sales of permanent water rights (Australia), Sales of US onion & garlic real estate assets, Exit of Argentina Peanuts business, Closure of trading desks of Sugar / Rubber / Fertiliser

Investing further in prioritised businesses

- US$900m+ of investments (organic & inorganic) (vs. US$3.5b targeted over the FY19-24 period)

Example of investments: Dangote Flour Mills (Nigeria), BT Cocoa (Indonesia), Hughson Nut Inc (USA), Cotonchad

**02 Improve margins through…**

a) Cost efficiency

- ~US$70m of cost reduction & productivity improvement

b) Capital productivity

- ~US$560m FCFE as of Q3 FY19

- 65 days Cycle Time (vs. 76 days in FY18)

- 1.37x Gearing as of Q3 FY19
Strategic Plan FY19-24 Progress: **Pathway 3a**

### **Value-added offerings**

**AtSource**
- Expanded AtSource+: 13 Products, 30 Origins, 125 customers, 200k+ farmers

**Risk Management Solutions**
- 46 new clients acquired
- Embed % at 16% up from 10% in FY18

**Value-added Services**
- **All certifications** (Rainforest Alliance, Utz) & **customised grades**
- Extensive organic range to meet rising demands across portfolio: Coffee, Almond, Hazelnut, Sesame, Tahini products, Dried Onion & Garlic, Chili, Turmeric, Cumin, Cinnamon, Black pepper

**Innovation**:
- **Further pivot to Ingredients**
  - Launched multiple **value-added ingredients** & provided unique solutions leveraging our 14 **innovation centres** (e.g. “True Dark” cocoa powder, nut paste, soluble coffee, private label)
  - Building capabilities for our new strategic initiatives
### Strategic Plan FY19-24 Progress: Pathway 3b & 4

#### 3b
Pursue growth by serving new customer segments & channels

<table>
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<th>Private Label / Contract Manufacturing Food Service Solutions</th>
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<td><strong>5</strong> New large private label customers</td>
</tr>
<tr>
<td><strong>8-10</strong> Large private label customers in pipeline</td>
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<tr>
<td><strong>~US$75m</strong> Incremental revenues</td>
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<th>E-Commerce</th>
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<td><strong>460+</strong> New customers</td>
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<tr>
<td><strong>~US$30m</strong> of Revenue</td>
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#### 04
3 new engines for growth being explored (Engine 2)

- B2C Initiative
- Farmer Services Platform
- Controlled Environment Agriculture

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*Olam*
Olam announced its new **Strategic Plan** for the period FY19-24 in January 2019

The Company decided to explore options that would **unlock further value over and above our Strategic Plan on a sustained basis** by re-organising our portfolio

In May 2019, the Company appointed **two independent Financial Advisors (FAs)** – Credit Suisse & Rothschilds to conduct this exercise

Building in part on the FAs recommendation, Olam has decided to **re-organise its portfolio of businesses to create two new coherent operating groups**
Bold plan to re-organise the current businesses into two distinct operating groups

**Olam International (OIL)**
1) Stewardship
   - Hold OFI & OGA
   - Parenting advantage (ensure continuity of the “Olam Way”, execute cross-cutting initiatives across the Olam Group)
   - Provide shared service to OFI & OGA to optimise synergies
2) Accelerator
   - Nurture gestating businesses to full potential (Packaged Foods Business, Infrastructure & Logistics, Olam Palm Gabon)
   - Incubate new engines for future growth
   - Exit non-core / de-prioritised businesses & assets, and redeploys capital for growth

**Olam Food Ingredients (OFI)**
- Industry-leading businesses offering sustainable, natural, value-added food ingredients which are “on-trend”
- Comprises Cocoa, Coffee, Edible Nuts, Spices & Dairy

**Olam Global Agri (OGA)**
- Differentiated global agri-business with unique focus on high-growth emerging markets
- Comprises Grains & Animal Feed, Edible Oils, Rice, Cotton, Commodity Financial Services
Re-organisation to unlock long-term value

**Simplify our portfolio**
- Re-organise the current diverse business portfolio into two new coherent operating groups in line with key consumer trends and market opportunities
- OIL to warehouse & manage the responsible divestment of non-core assets and businesses identified in the Strategic Plan

**Sharpen focus**
- Increased focus will enhance performance in each of the operating groups
- Better attract & retain best-in-class leadership and management teams for each operating group

**Attract additional investors**
- Target investors who are aligned with the vision of each operating group to better value these businesses

**Accelerate profitable growth**
- Raise new growth capital via potential carve-out / IPO of OFI and OGA
- Deploy new growth capital to accelerate growth over and above the Strategic Plan
- OIL to incubate new engines for growth
Olam Food Ingredients
Meeting the needs of a changing consumer landscape

It’s what consumers want…

- Health & nutrition
- Premiumisation
- Natural ingredients
- Indulgence
- Ethnic tastes
- Growth in private label
- Food service – increasing out-of-home consumption
- Environmentally & socially responsible
- Supply chain traceability & provenance
- Assurance / Certification

It’s where we are increasing our capabilities

- Innovation centres & co-creation with customers on ingredient, blends, recipes, and solutions
- Natural colours and flavours – spices blends, no-added sugar purees
- No sodium innovations for clean labelling (e.g. cocoa, garlic and onion powders, high heat chilies)
- High-end, single origin ingredients (cocoa, coffee)
- Full range of edible nuts and formulations for healthy snacking and ingredients
- Wide range of specialty coffee products and dairy ingredients
- Growing presence in private label, food services, and e-commerce
- AtSource provides traceability and enhanced levels of impact
Olam Food Ingredients

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

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

Imaginative experts tailoring solutions in partnership with our customers.

Global value chain presence from our own farms / farm-gate origination for transparent & sustainable sourcing, to adaptive manufacturing solutions.
Transforming ourselves to strengthen cross-cutting capabilities

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

**Centralised Product Development & Innovation**
Building integrated centres of excellence for product development, applications and solutions

**Private label / Co-manufacturing**
Manufacturing downstream / packaged food for retailers, brand owners and food service

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

**Unified digital channels**
1st mile: Digitising multiple supply chains on common Apps
Last mile: Combining cross-business e-commerce initiatives, deliver fulfilment & capability and digital marketing

**Sustainability**
Clear sector leadership in sustainability exemplified by AtSource, the most comprehensive B2B sustainable sourcing platform
Operating across global food, feed & fibre supply chains

Market drivers

- Global population growth and growing middle class in emerging markets continues to drive increased demand for food, feed & fibre
- Shift towards protein-based diets in Asia & Africa
- Continued emphasis on national and global food security
- Significant base of smallholder farmers with limited capacity
- Increased government intervention / policy changes
- Overcapacity amongst large, global players
- Environmentally & socially responsible production & consumption

We have a unique & differentiated business model

- Long-standing presence and unique expertise in emerging markets
- Proprietary operating capabilities in global origination, processing, trading, risk management solutions etc
- Offering fortified products including edible oils, flour, rice
- Building smallholder capacity to raise productivity and improve livelihoods
- Eliminating unacceptable land-use practices and sustaining living landscapes
Olam Global Agri

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

- Deep understanding of market needs via on-the-ground presence in Asia and Africa over 30 years
- Proprietary operating capabilities in global origination, processing, trading, logistics, distribution, and risk management
- Fundamental strengths and strategic manufacturing assets in key destination markets
Transforming ourselves to strengthen cross-cutting capabilities

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

**Trading & Risk Management**
Proprietary knowledge and insight through shared research and best practice, and real-time risk management

**Global origination**
A network of procurement offices strategically located in key growing origins

**Freight and logistics**
Sharing bulk freight management expertise across all businesses. Proficiency in operating critical emerging ports

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

**Licence to operate**
Co-operating with governments to meet their national food security agenda. Managing all stakeholders, including governments, communities, suppliers holistically.
Olam International: Key Roles as a Steward

1. Parenting advantage
   a) Ensure continuity of the “Olam Way”
      • Institutionalise Culture & Values
        Including the entrepreneurial mindset, stretch & ambition and ownership to deliver
      • Foster Spirit
        Embedding Founders’ Mentality, etc
   
   b) Execute cross-cutting initiatives such as...

2. Drive key enablers & providing shared services to the two operating groups

   a) Enablers
      - Operational Excellence
      - Digital
      - Sustainability
      - Leadership & Talent

   b) Shared Services
      - Functions
      - Countries / Regions
Olam International: Key Roles as an Accelerator

3. Nurture gestating businesses to full potential

- **PACKAGED FOODS**
  Achieve leadership in selected food categories (culinary, snacks & dairy beverages) in Nigeria/Ghana and expand into adjacent markets in West Africa

- **INFRASTRUCTURE & LOGISTICS**
  Extract full value from our existing Gabon operations & selectively expand into other markets in Africa

- **OLAM PALM GABON**
  Develop fully RSPO certified upstream Palm Oil business in Gabon

4. Incubate new engines for growth (Engine 2)

5. Manage the responsible divestment of non-core de-prioritised assets & businesses identified in the Strategic Plan
Olam International

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

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

Provide shared services to OFI and OGA to optimise synergies

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

• **A Shekhar** has been appointed as the **CEO of OFI** and will therefore step down from his current role as Group Chief Operating Officer of Olam with immediate effect

• **Sunny Verghese** will hold charge as **CEO of OGA** and **Olam International**, in addition to continuing as Group CEO
Stage-gated execution plan

**STEP 1**
Re-segmentation
Re-segment the current business into two new operating groups (OFI & OGA) under Olam International

**STEP 2**
Re-organisation
Re-organise the Company with dedicated leadership & management teams for each of the operating groups (H1 2020)
Report financials and key performance metrics for each operating group (H1 2020)

**STEP 3**
Potential Carve-out
Engage with investors, and explore / evaluate potential sequential carve out of OFI and OGA

**STEP 4**
Potential IPO
Progress with potential capital raise/ IPO listing on a sequential basis in the relevant market, if key valuation and related conditions are met
Accelerate growth over and above the Strategic Plan
Key takeaways

The Company has made **significant progress** in the first year of its Strategic Plan 2019-2024 implementation.

Re-organising our current business into **OFI & OGA simplifies the portfolio, sharpens focus, allows investors to participate in two distinct themes via potential carve-outs or IPOs and accelerates profitable growth**.

Olam International will **hold the two new operating groups, provide parenting advantage, enable synergies, develop gestating businesses to full potential, incubate new engines for future growth, and release capital from divestments**.

We believe this re-organisation will **maximise Olam’s long-term value**.