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Olam International Ltd Business Re-organization Presentation

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PRESENTATION

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

We're very pleased to start the new year with our announcement this morning on the reorganization of Olam for unlocking long-term value. And we are extremely pleased that you are here this morning despite our very short notice to you. Our Group CEO and Co-Founder, Mr. Sunny Verghese, who is now CEO of Olam Global Agri, will be presenting to you the details of this reorganization plan. While he makes his way up here, I'll ask that you read the cautionary statement put out here in our presentation. It's also in your handouts.

May I invite Sunny to come up to start this presentation. Thank you, Sunny.

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

Thank you, Hung Hoeng. Lim Ah Doo, Chairman, Olam International, ladies and gentlemen, thank you all for making here today at the such short notice. I'm surprised that the room is almost full, so thank you for making the special effort. This is our first briefing for 2020, and I would guess that this is an important one, so I'm particularly delighted that all of you could make it this morning.

The focus of today's presentation is going to be just on one agenda item, which is about the reorganization of Olam to unlock long-term value. And just to give you a background and context, it is almost exactly a year ago that we launched our new 6-year Strategic Plan, where we wanted to reimagine Olam, taking advantage of what we saw as the 4 most key important trends, which I'll describe a little bit more in detail. All of you were at the briefing when we launched the new Strategic Plan in 2019 January.

Now building on the Strategic Plan, at that same time, we had announced that the Board was exploring ways of looking at how we can illuminate the hidden value that there is in the company and also create further value by more logically and coherently organizing our business. And as a result of that, the Board had announced that we are appointing 2 independent financial advisers, Crédit Suisse and Rothschilds, to conduct an exercise. We mentioned to you that we will expect to complete that exercise by December 2019. And this, what we are announcing today, is the outcome of that roughly 8-, 9-month exercise in looking at the various options on how we could unlock value.

Hung Hoeng has already referred to the cautionary statement, so I won't repeat it. And I'll just go back now to the background and the context of the Strategic Plan. What is important in terms of a message is that we are successfully executing on the Strategic Plan. This is the first year of the Strategic Plan in 2019, and I'll give you some substantiating evidence on how we are doing across the strategic pathways and the key enablers.

But you will all just recall that the key trends that we were trying to take advantage of was, firstly, the consumers wanting to eat food that was more right for them or good for them in terms of health and nutrition, sustainability, supply chain provenance and all of those aspects.

It was also the second trend that it should not only be right for me but right for the planet because in order to meet the challenge of meeting the growing food, feed and fiber requirements of a growing population, we cannot produce that incremental food, feed and fiber that we need by destroying the planet. So it should be good for the planet. Along with that, we also said the farmers and others who produce this food for us have to make a living, and their livelihoods have to be protected, and they should be able to prosper. So that was the second trend.

The third trend was the way we lived and consumed was dramatically changing. Because of the digital and social media world that we are all part of today, the way we consume and the way we live is completely changing. So last year alone, there was a tenfold increase in Google searches on the best food for health, best food for the brain, best food for gym workout, tenfold increase in just 1 year on searches on Google for what is right for me and right for the planet and right for the producers.

And finally, the way we produce food and the way we process that food is also dramatically changing because of AI, because of data analytics, artificial intelligence, all of that.

So based on these 4 trends, we had identified 4 key strategic pathways to execute the plan and meet the goals and objectives that we have set for the Strat Plan. The first strategic pathway was we wanted to streamline, focus and strengthen our portfolio. So we were in 16 business units or platforms. We decided that we will shed or deprioritize 4 of those business units. We were in 54 SBUs. We said we will rationalize and deprioritize 17 out of the 54 SBUs. And we said that we have earmarked 25 related assets for divestment. So that was the first strategic pathway. Our second strategic pathway is we wanted to improve margins through better cost and capital productivity. And our third strategic pathway was we wanted to grow revenues and enhance margins by offering differentiated solutions and services to our customers, both existing customers and new customers but also existing and new channels and segments. So we entered very much -- very new channels and segments, which I'll sort of quickly also provide data and details to you on that. And final strategic pathway was that we said we should explore new engines for growth. The 12 business platform that we were left with or business units that we were left with was what we call our Engine 1 core business. And we said we should have, as we grow, other businesses in our portfolio which was a little bit of a counterpoint to our existing businesses, which had a little bit more unpredictability, a little bit more volatility and inherent cyclicality. So we were looking for businesses that would be a counterpoint in terms of better margins, less unpredictability, less cyclicality, less volatility. And that was what we referred to as developing new engines for growth, which we call Engine 2, new platforms of future growth. So those were these 4 key strategic pathways.

And we recognize that in order to execute those pathways and achieve our goals and targets, we needed to embed 4 key enablers. One was on operational excellence. The second was on sustainability and putting sustainability at the heart of our business and making it a true competitive differentiator and having a clearer edge on sustainability. The third was on digital. We wanted to digitize our supply chain end-to-end. And the final one was on leadership and talent.

On all these 4 areas, we made significant progress in the first year of implementation. And that is why I've started this presentation by saying that we are executing on our strategic deliverables, and we have enough substantiating evidence to share with you this morning about how we are doing on those deliverables in the first year.

So let's take the first strategic pathway of streamlining, focusing and strengthening our portfolio. So we have released about $700 million of invested capital against our target of $400 million to $450 million in the first year of the plan. You know that our 6-year target for releasing cash and capital from the deprioritized businesses was $1.65 billion across the 6 years of the plan. The first year, those $400 million to $450 million, we have released about $700 million. So we have, for example, exited our Argentinian peanut farming and shelling operations. We have exited our Fundamental Fund Commodity Financial Services business. We shut down our rubber trading desk, our sugar trading desk, our wood products LATAM trading desk, all during the course of this year. We also released capital by selling our highest security permanent water rights in Australia to the Canadian pension fund PSP, but we have unfettered access to that water and use of the water for the next 50 years. We also sold our real estate assets in our dehydration operations -- onion and garlic dehydration operations in the U.S., and that was also a significant amount of capital that we were able to release, about $110 million. On the Australian water rights, we released about AUD 495 million as cash release with that transaction. We also sold a 10% share in the Infra & Logistics business and generated about $60 million of cash and about $27 million of post-tax gains as far as that transaction was concerned. So on the first strategic pathway of streamlining, focusing on divesting our deprioritized assets, releasing invested capital and cash, we have done much better than what we had targeted and planned to do in the first year.

But we also said that over the course of the 6 years, we're going to double down on the businesses where we are very strong and invest to those businesses and strengthen those businesses. Our plan was to invest about $3.5 billion over the 6-year period, $2.3 billion in growth CapEx, about $1.2 billion in maintenance CapEx. And I give that in the first year, we've already invested $900 million, both organically and inorganically, in strengthening the continuing businesses. This included in terms of inorganic acquisitions the acquisition of Dangote Flour Mills and the integration of that business; it included the acquisition of our Hughson Nut in California, which is an almond ingredient facility; and we also acquired BT Cocoa last year, as 3 examples of acquisitions. And we also acquired a majority interest in Cotontchad, an integrated cotton farming ginning operations in Chad in West Africa.

The second pathway was to improve margins through capital and cost productivity. So in terms of cost productivity, we achieved cost savings and productivity and yield improvements of about $70 million against our target of $57 million in the first year. So here again, we have exceeded what we set out to do in the first year of implementation. As far as cash productivity is concerned, in the third quarter, we released about $560 million of free cash flow to equity. We improved our cycle times from 76 days to 65 days. And we were able to maintain our gearing well within our net debt-to-equity target of 2 at 1.37x.

So on strategic pathway 1 and 2, we have solid substantiating evidence of meeting and exceeding our Strategic Plan deliverables in the first year of implementation.

In terms of our strategic pathway 3, which was a hugely important one, where we were trying to pivot our business from being a raw material supplier, a commodity supplier to a more value-added ingredients company, we had launched many initiatives during the course of the year. One big one was AtSource, which is our sustainability offering, where we are embedding this sustainability, like-Intel-Inside concept, AtSource inside concept when we deliver our raw materials and ingredients to our customers. And just in the year that just ended, 2019, we extended the AtSource offering and embedded it across 13 products in Olam. It covered about 30 origins in supply chains, which means more than 200,000 farmers were involved in those supply chains where we offered AtSource products. And we have done this with 125 customers. So we are really getting good traction. We think this will be a game changer going forward. And we are particularly pleased with the progress that we have made in embedding AtSource.

The second was offering risk management solutions. During the year, we acquired 46 new customers who bought our risk management solutions. And compared to last year, only 10% of our Olam sales we had embedded RMS solutions. The embeds have now gone up from 10% to 16% during the course of last year. And this creates stickiness with our customers. And when we move and pivot to an ingredients business, it's not only about the physical products in terms of the nut ingredients or the cocoa ingredients or the coffee ingredients, but it's also solutions and services that we are providing in addition to the physical products and ingredients that we supply. So that was on risk management solutions.

On value-added services, we continue to offer customized grades qualities and certified raw materials to our customers. So whether it's Rainforest Alliance-certified cocoa or it's 4C- and Utz-certified coffee, we are amongst the largest suppliers of certified raw materials and ingredients in the world today. And we now have the broadest range of organically certified food raw materials and ingredients. Across 14 of our products, we offer organically certified raw materials. Whether it's cocoa, whether it's coffee, whether it's almonds, whether it is garlic, onions, whether it is cumin, turmeric, black pepper, most of our supply chains, we have the most extensive range of natural organic -- organically certified raw materials and ingredients that we supply.

And finally, this big pivot in terms of innovation to move towards an ingredient business across our 14 innovation centers that we now have globally, we are making big breakthroughs in providing value-added proprietary ingredients. So for example, we were the first ones to launch a truly dark natural cocoa powder which is made from no alkalizing or chemical agents involved, high-flavored cocoa, nut paste of various kinds, low-sodium spice blends. So many things that we have done in the last year which is a dramatic shift and change from what this business was in the prior year. So across the value-added offerings and pivoting to becoming an ingredient business, we have made significant strides during 2019.

The 3b part of our strategic pathway was to pursue growth and generate profitable growth by serving and entering new customer segments and channels. And we had a few initiatives in this regard.

The first was to become a big private label contract manufacturer to the large retail brands. So last year, we acquired 5 new, very big global retail customers who have now outsourced their private label store brand manufacturing to us. So that was a big deal for us. We got more than 8 to 10 very active live retailers, global retailers, with whom we believe we are at the cusp of making a big breakthrough. And this, we generated about $75 million of incremental revenue just in the first year. But more importantly, the margins that we are realizing in private label, store brand manufacturing is on top of our supply chain and our trading margin, so it's incremental margins for us. And therefore, the whole business becomes even more competitively differentiated and strong.

The second part was on e-commerce. We were -- for the first time, we were dealing with very large customers. We have over 20,000 customers worldwide for all the raw materials and ingredients that we supply, but many of them are fairly significant sized customers. We do not have a cost to serve small and medium customers that is viable. With e-commerce, that has completely changed our ability to serve small and medium customers at a cost to serve that becomes competitive. So last year, the first year of getting into e-commerce in a big way, we acquired 460 e-commerce customers. We generated $30 million of incremental revenue, small and medium customers. And this is only a 6-month report card. And within that, our margins are much better in the small and medium customers than we have from our large customers. So we will be making a big push to extend this to more of our products and more of our customers.

And finally, we have made significant progress in developing an Engine 2 business, new platforms for future growth. We are working on 3 ideas. We are not ready to launch any of them at the moment.

The first is a B2C direct-to-consumer, purpose-brand business. Because many of the large insurgent purpose brands rely very significantly on Olam's back-end supply chain to provide them all the traceability, supply chain provenance, assurance, natural, organic, certified raw materials and ingredients, and we feel that we are in a unique position to leverage and parlay our sustainability engine advantage into this direct-to-consumer purpose brand B2C business. We will target the launch of this business late this year, first quarter of next year.

The second is a farmer services platform. We deal with 4.8 million farmers. We are the farmers company, so we have tremendous privileged relationships and assets with them, and we want to monetize that. So we are in the process of launching a digital marketplace for farmers, both on the input side, credit side, off-take side, advice, crop care side. And we are now in the process of developing a minimum viable product. We will do an alpha and a beta testing. First quarter of next year, we'll be ready to launch this.

And the third is controlled environment agriculture. As you know, Olam has very large exposure in open-field farming. So we grow almonds and pistachios and walnuts and palm and rubber and coffee and cocoa and black pepper and broadacre row crop farming across the world. But with the climate emergency and climate crisis and the collapse of biodiversity, we are seeing agricultural risks in open-field farming getting more and more magnified. We still believe that given the food security issue and the growing supply-demand fundamentals, middle class and everything else, selective participation in upstream has still excess return attractive opportunity. But we have to reduce the agricultural risks while we do that, and therefore, we are looking at moving some part of our investments into protected farming or controlled environment agriculture that dramatically reduces water and all of the agricultural risks. So it reduces water by 90%. It reduces the use of chemical fertilizers, pesticides, fungicides, herbicides, all of that by a dramatic number. It reduces the land that is required by tens of folds, the land that you require.

So these are the 3 new things that we are working on. We might not back all the 3, we might back 1, 2, but we are very excited about developing an Engine 2 business for Olam, which will be strong counterpoint to its existing portfolio.

So I think the message is that as far as the Strategic Plan is concerned, it is working, and we are delighted with the progress that we have made in year 1.

So what was the logic of this reorganization? Why did we need to do this reorganization? We were not doing this as a restructuring exercise to cut costs or pay up costs. This is not that there was an external or even the distraught business and put pressure on us. It was not because of U.S.-China trade war and, therefore, what we feel would have happened to our business. We have done this from a position of strength because we see a significant opportunity to reorganize our business to unlock long-term value, and I'll describe that.

So we have celebrated our 30th anniversary, we're 30 years old, as most of you know. Some of you came for our 30th anniversary celebrations. So over the course of that last 30 years, we have built a valuable, market-leading, multiple market-leading businesses. And we have developed some proprietary capabilities, we have differentiated our business, and we are trying to see what we can do in leveraging all of those capabilities, assets and know-how and insights that we have built.

So in 2019, January, exactly a year ago, we announced our 6-year Strategic Plan, 2019-'24, split into 2 3-year cycles, 2019-2021, '22-'24. And we believe that this was the right strategy for the reasons that I've just explained to you and how the strategy is being executed and what traction we are getting.

And at the same time, the Board said, as we announced our Strategic Plan a year ago, we also said that we are exploring options on unlocking further value, eliminating the hidden value that exists in the business by more coherently organizing our business, and we'll come to that in a minute. And therefore, the board appointed 2 financial advisers, Crédit Suisse and Rothschilds, in May of 2019. And they have completed that exercise and, in part, based on the FAs' recommendations, but the Board consulted widely with all our stakeholders, took the independent FAs' recommendations. And the 13-member Board that we have, as you can see, have considerable background, experience, expertise, inclusion judgment. And combining all of these, the Board came to the determination that Olam's future will be best served by reorganizing the company into more coherent entities or operating groups as the way forward. So this is not abandoning our Strategic Plan, this is building on our Strategic Plan. It is over and above our existing Strategic Plan. Because some of you asked the question, Strategy Plan just 1 year ago, now a reorganization plan on top of that, has it all ended? Is there something more to come which we should know about? So this is it, right? Our 30-year experience of building these expertise and capability, developing a new Strategic Plan on the basis of that to exploit those 4 key trends, 4 key pathways. So our Strategic Plan is 4 by 4 by 4, 4 trends, 4 pathways, 4 enablers, so it's easy to remember.

We are delighted with the traction and the momentum we are getting in executing the plan. And then we said on top of that, on top of the Strategic Plan, can we do something that can fundamentally illuminate the hidden value that we believe is in the business and create further additional value, so that is the reason for this reorganization plan and exercise.

So what is this reorganization plan all about? So this reorganization plan is about creating 2 coherent, new, distinct operating entities, leveraging on what we see as 2 diverse and yet separate themes, and I will describe those themes to you. And we believe by reorganizing into these 2 new, coherent operating entities aligned to 2 distinct and divergent separate themes, we can really accelerate our growth to take advantage of the trends, go faster, speedier towards realizing that.

So what are these 2 new operating entities? The first one is Olam Food Ingredients. And Olam Food Ingredients or OFI will have 5 business units within it, which is the Cocoa business, the Coffee business, the Edible Nuts business, the Spices business and the Dairy business. It is not just putting 5 different BUs into 1 cluster, but it is making sure that the new cluster or the new operating entity or group will act as one company and leverage all of the capabilities, configuration of assets and skills that it has developed.

The second entity is what we call Olam Global Agri. It'll consist of 5 business units that includes our Grains, Animal Feeds and Proteins business is one of them; Edible Oils supply chain and trading is second business; Rice is the third business; Cotton is the fourth business; and Commodity Financial Services is the fifth business. And this is basically trying to meet the demand for increased food, feed and fiber demand particularly in emerging markets of Asia and Africa.

And the 2 newly separated operating groups or entities will be held by Olam International Limited, who will be the parent. So we will hold OFI and OGA. And it has 2 main roles: 1 as a steward and 1 as an accelerator. And I will describe in detail the logic of why we are doing this separation and what the potential -- what is the vision, what is the equity story for these 2 entities in detail as we go through this exercise. All that you now need to remember is that we are reorganizing into 2 distinct coherent entities leveraging on what we see as 2 separate different themes that we think are critical in our industry.

So how is this reorganization into these 2 new coherent operating groups going to help us unlock value on a long-term sustainable basis? It's not a short-term pop in our share price but on a sustainable long-term basis, there are multiple pathways by which we expect to be able to unlock this long-term value.

The first is by simplifying our portfolio. So from a 16-BU company in 2018, in 2019 Strategic Plan, we took the first decision to rationalize that, streamline that and bring it down to 12, from 54 SBUs to 17 and so on and so forth. Now we are doing that a big step further by reorganizing these 12 remaining business units, which are diverse businesses, into 2 more coherent operating units. And these 2 coherent operating units have business units that are similar in nature, that are linked by an underlying logic, and therefore, they hang together. And they have, therefore, a clearly different equity story and a compelling vision. Yes? So that is the first thing that we have done, by simplifying the portfolio of 12 businesses now into 2 operating groups and the parent.

Second, we've also, as we have identified in the last Strategic Plan, the 4 exiting BUs, 17 SBUs and 25 related assets are all currently embedded within the OFI business units or within the OGA business units. By taking all of these assets and putting it into the holdco, we are allowing the OFI business and the OGA business to get the full potential or realize potential or have a see-through full potential value than when these businesses were being dragged down by some of these underperforming, gestating, troubled, challenged assets. So we believe that the holdco can then focus on resolution of these assets. And our plan is, by 2022, we will have exited all of these BUs and assets, and we already showed you the solid progress that we have made in the first year in -- towards executing that plan. So that also, we believe, that will also allow us to enhance the full value of the 2 entities.

The second thing that we are doing is, as a result of this, we are sharpening focus because we will have a dedicated management team and structure to manage the OFI business and another one to manage the OGA business. And therefore, by concentrating the bandwidth now on 2 businesses rather than 12, we hope that focus will allow us to enhance performance. So that's a second way of sharpening focus which will allow us to create value.

The related part of sharpening that focus is that we'll be able to better attract the talent and capabilities and retain the world-class talent that we have. But we will have talent gaps as we are pivoting faster and quicker into becoming a more value-added ingredient business or a more market-leading OGA business, we will have talent gaps that we need to fill. And if there are more deep expertise out there which we want to attract by having these 2 coherent entities carved out, we will be able to attract them. So that is the second way we will create value.

The third way is we -- our intent is that we will eventually carve out these 2 operating entities and potentially list them. Why we are saying eventually and potentially is because we want to make sure that our investment thesis can be validated and that the valuation expectation that we have can be validated. So we have some triggers and checkpoints in a stage-gated execution pathway that will determine when we will pull the trigger on the carve-out and the IPO. But the intent that we are setting out ourselves with is that we will eventually do a carve-out and do an IPO or a listing. And when we do that, we are going to generate significant additional long-term growth capital. And as you deploy that additional long-term growth capital, we will accelerate growth, and accelerating profitable growth is a big driver to creating value. So that is the third thing.

And the more important thing in that is we will be able to attract the natural investors, the investors who believe in the vision of these 2 separate entities. And when you get the right kind of investors who believe in the vision of these 2 separate entities, we will be better value. And we have seen it in our own experience in Olam, where we have only so far in our history carved out 2 businesses.

One was a Packaged Foods business, the African consumer branded business which we carved out in 2014. Sanyo from Japan came and took a 25% stake in the business. They were hungry for African market-leading branded consumer business, but they wanted an African business which had developed country governance. That's a very scarce animal. If you want to invest in one of these frontier markets to exploit some of the trends and opportunity that exist, it's very difficult to find an asset in that country which is market leading but has developed country governance. So we got a very good valuation for that business.

The second business that we carved out was our Infrastructure & Logistics business in Africa in Gabon. And that business had 3 principal underlying assets: an industrial zone business, a port -- a mineral port business and a container port business. And we brought in different investors: for the industrial zone business, the African Finance Corporation, for example; for the mineral cargo port business, Meridiam, which is a French fund -- infrastructure fund; and for the container port, which we'll announce in -- some time in the first quarter of this year, another potential investor who's only wanting a container port exposure And they are all willing to pay us top dollar because for them these are very scarce assets, and they're willing to pay us good.

So the third piece of attracting the right kind of investors who believe and have an appetite for the underlying businesses and assets in that configuration will allow us to be valued better.

And finally, by raising the growth capital from the IPO, we will be able to further accelerate our growth. One is getting the right kind of investors we hope will get re-rated in terms of them valuing those businesses better and, therefore, eliminating the existing hidden value that already exists in the business. But by then raising additional capital and deploying that capital, we will be able to accelerate growth, which will drive value. The second piece of that is we are also incubating new engines of growth, as I said, that will also help us get to profitable growth and value creation.

So those are the 4 ways in which we believe that this reorganization will help us unlock long-term value on a sustained basis.

So let's just dive a little bit more deeper into OFI, Olam Food Ingredients, and then OGA and then OIL.

So let's start with Olam Food ingredients, OFI. So if you look at Olam Food ingredients, it is trying to tap into the trend of meeting the needs of a changing and evolving consumer preferences and the changing consumer landscape. So I mentioned to you all of these trends which we discussed last year when we presented the Strategic Plan, people wanting to eat food that is nutritious and healthy for them, that is traceable and sustainable, that is natural, that is free from artificial color, flavorings, that it is gluten-free, MSG-free, sodium-free, all kinds of free, plastic-free, right? This is a massive trend. According to the [inaudible] pulse survey, last year, there were 250 images on Instagram linking food. And there were [36 billion] (corrected by company after the call) video downloads on the Internet on food and how to access the right kind of food (inaudible), 36 billion views, video views, which means 5x the global population. And Nielsen study and the global consumer data pulse survey, all of that shows that people want to eat more healthier, they're very focused on the food, people are looking to others. How many of you go to a restaurant and Instagram the food that you eat to show off what you're eating and also to show off who you're eating with and what they like as well? This is a big deal, and it's changing. And to offer natural sustainable products which is right, therefore, the capabilities that we are building is focused on that. So our innovation capability, our new channels and segments capability, our embedding differentiated solutions like AtSource, risk management solutions, customized grades quality, certified raw materials, all of these capabilities that we have built, which resulted in some of the substantiating evidence that I provided to you, that this is not a far-fetched dream. In the industry, I believe that we are in the best position to leverage some of these key trends. So this trend for us, this theme for us, is a different and a slightly separate theme than the theme that will be driving OGA. This is the theme that we believe drives OFI, okay?

So let's just look at the capabilities, the assets, the strengths, the people, et cetera, that we have in the OFI business today.

(presentation)

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

So this is our vision for Olam Food Ingredients: A global leader offering sustainable, natural, value-added, on-trend food ingredients, so consumers can enjoy the healthy and indulgent products they love. And there are 3 foundational blocks or building blocks in realizing the vision. So we wanted to create a coherent entity that is tied together with some underlying logic, in this case, this ability to offer sustainable, natural, healthy food ingredients, and that has a distinct vision and that compelling equity story. So this, we believe, there's nothing like this that exists today, all plant-based, on-trend ingredients. Right?

So the 3 foundational building blocks are: one, complementary and differentiated on-trend portfolio anticipating and meeting consumer food choices based on that evolving consumer landscape we described; then imaginative experts tailoring solutions and partnership with our customers, that's the second building block; and the third building block is our global value chain presence from our own farms and farm-gate origination and sourcing, transparent and sustainable supply chains and adaptive manufacturing facilities. So we believe that this coherent entity OFI will be a market-leading business, and we do not see anything like this of this kind today, yes? So that's the first one.

And in order to do this, we believe that these are the capabilities that we can leverage amongst all the 5 BUs. Right now, each of these capabilities are embedded in each BU of differential rate of intensity or effectiveness. So imagine what we can do by combining all of these skills in cross-selling to shared customers; in our private label contract manufacturing, co-manufacturing capabilities; in both the first-mile digitization of the supply chain and the last-mile digitization of the supply chain; in terms of centralized product development and innovation, and I gave you many examples of that; in terms of our unique farm-gate presence and own farming and plantain expertise and assets; and finally, a really differentiated and market-leading sustainability advantage.

Now let's move to the next entity, OGA, Olam Global Agri. You must -- I must just caution you, I'm using the word entity here a little bit loose. The first step is that becoming an operating group. And then when we carve out, they will become a legal entity. So when I use the word entity, I'm referring to an operating group or an operating entity, not a separate legal entity.

So let's look at Olam Global Agri, the next operating group, the second operating group. Here, our view was that there's going to be a growing demand for food, feed and fiber particularly in the emerging markets as population is going to grow from 7.5 billion to 9.5 billion people. And the 2 billion growth in population, 95% of the growth in population is going to happen in Africa and Asia, where we have deep expertise and on-the-ground presence to take advantage of that.

There is also in these emerging markets, including Asia, rapidly growing middle population -- middle-class population. 1.5 billion people have been added to the middle-class population in India and China alone between 2015 and 2019. And this is going to continue to grow. And these people are shifting the dietary habits from simple carbohydrate-based diet to protein and fats-based diet. And some of these markets in Africa are probably 15, 20 years behind Indonesia. Indonesia is probably 20 years behind China. And India is probably 10, 15 years behind China. But the development path in terms of food habits and consumer choices in that regard is evolving in a similar kind of pattern. And that's where we have strengths.

So that's what we plan to do, try to take advantage of all of these trends that we are talking about and developing and leveraging the capabilities that we have built. And I won't go through all of these capabilities, you can read that in detail, but I just want to highlight 2 of them. First is our 30-year long-standing presence and unique expertise in emerging markets. We are really a specialist in emerging markets particularly in Africa and Asia. Second is our proprietary operating capabilities in farming, in origination, in logistics, in processing, in trading, in risk management, all of which we will be able to leverage in successfully becoming the leader in this business in emerging markets.

So let's take a look at the configuration of assets, people, capabilities in Olam Global Agri.

(presentation)

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

So our vision for OGA is to be the unrivaled leader in food, feed and fiber in high-growth emerging markets of Asia and Africa, with proven expertise, processing capabilities and a global origination footprint. And the 3 building blocks in making this vision a reality is our deep understanding of market needs via on-the-ground presence in Africa and Asia over the last 30 years; proprietary operating capabilities in global origination, in farming, in processing, trading, logistics, risk management and distribution and marketing; and finally, our fundamental strengths and strategic manufacturing assets in key destination markets. So if we look at our wheat milling operations in Nigeria: We have capacity utilization rates which are significantly higher than the median capacity utilization rates, almost double the median capacity utilization. Our extraction efficiencies are 4, 5 percentage points above the median for the industry; and that allows us to capture value, yes. So this is what we mean by having those proprietary assets and capabilities.

And there are again capabilities that all the BUs within this cluster share. And if you can now begin to operate that as one, then we can leverage all of this in terms of local distribution, the distribution pipe that we have in these countries to distribute wheat flour, whether it's biscuit flour, noodle flour, pasta flour or bread flour; or even distribution of pasta, for example; or distribution of our other products. We can use the same distribution pipe, for example, to distribute. So I think the power of combining our capabilities within this group and operating this as one entity with common, shared customers, et cetera can dramatically unlock value rather than operating it as separate BUs.

And then the final entity, which is OIL, which is the holding company, Olam International Limited, the parent. It has 2 key roles: one as a steward and one as an accelerator.

As a steward, it has the following rules. One is to provide the parenting advantage to both OFI and OGA. What do we mean by the parenting advantage? One is to make sure that we can institutionalize the Olam Way across these 2 units after the separation. So what this means is institutionalizing our culture and values, our spirit, all of which sets Olam apart, which is one of our organizational advantages. We want to provide the parenting advantage. Second is to execute on cross-cutting initiatives, like the common properties that we have of AtSource. We are launching an eco calculator to calculate your personal footprint. So if you have breakfast in the morning, you'll take a photograph. It will tell you how much of carbon footprint and water footprint and waste footprint. If you then cycle to the office versus riding in your luxurious Mercedes car, it will tell you what the difference in footprint. Isf you take the MRT, what is the footprint? If you take a return flight from Singapore to New York and back, you will be having greenhouse gas emissions more than the annual greenhouse gas emissions of about 32 countries, per capita annual greenhouse gas emissions of 32 countries, one single return flight. And then we want to tell you what you can do about this once you get to know about it. So that's our eco calculator. We have re-imagineers programs. All of the stuff are common properties and intellectual properties of Olam. We want to deploy it and parlay it into this operating unit so that we can maintain that parenting advantage.

Second role as a steward for Olam International is to drive our key enablers and providing shared services to the 2 operating groups. In terms of key enablers, it is about the 4 enablers that I mentioned at the beginning of the strategic plan description which is about operational excellence, which is about sustainability, which is about digitalization and which is about leadership and talent. We have built some valuable intellectual property in these areas. We want to be able to embed these enablers in the operating units and in Olam. And finally, it is about shared services. We have 14 functions. If both these units reinvent the wheel and embed all of the 14 functions, it will result in cost dissynergies, so in order to optimize synergies, we are saying what should be embedded, what should be central, what should be shared in a hybrid model. And we are doing that detailed exercise through our work streams now.

So then the role is as an accelerator. The second role of the holdco is an accelerator.

First role as an accelerator is to nurture the existing gestating assets to full potential. And we have 3 gestating assets: the Packaged Foods business, which I described a little bit earlier; our Infrastructure & Logistics business; and the Olam Palm Gabon business. All of this also rides on some of the OGA teams, which is why in the initial phase, OGA and OIL will be one, yes. Because the Packaged Foods is all about Africa, Asia consumer story, right? The infrastructure is really massive infrastructure deficits in Africa. It's all about the Africa team in play. And Olam Palm Gabon is the world's -- I mean it is 100% RSPO-certified plantation.

So that is one, so nurturing gestating assets to full potential. I talked about incubating new engines for growth. And I discussed that in some detail, so I won't go through it again, but that's the role of OIL. And finally, a very important role is to manage the responsible divestments of the noncore and deprioritized assets and businesses identified in the strategic plan. So these are the roles it will play as an accelerator.

So let's take a look at what OIL will look like.

(presentation)

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

So this is the role of 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 and to the new operating groups and as well as accelerating growth. The 3 building blocks here are to ensure continuity of the Olam Way, implement cross-cutting initiatives and drive key enablers across the 2 units and OIL; provide shared services to OFI and OGA to optimize synergies as appropriate; and nurture gestating businesses to full potential, incubate new engines for growth, future growth, and release capital from our responsible divestments.

And 2 key changes that we want to announce today is that the Board has appointed A Shekhar as the CEO of OFI, with immediate effect, and therefore he will now step down in his current role as the Group Chief Operating Officer of Olam, with immediate effect. I will continue to hold charge as CEO of OGA and OIL and also as the group CEO. We are making other organizational structure and related changes, which we will announce as and when they are finalized.

The next thing that I want to highlight is that this is going to be executed in a stage-gated execution plan. We believe that this whole process will be executed in 4 key steps. The first step is resegmentation of the business, which is happening today. So we, as of today, are resegmenting Olam into these three, 2 operating entities and 1 holding entity, OFI, OGA and OIL. So that's the first thing. It's happening today.

The second step is reorganization. We are now going to run these businesses with a dedicated organization structure, and they will be run as one OFI and one OGA. And that's going to happen within the next 3 to 6 months, so by the first half of 2020, the first 2 steps will have been completed, resegmentation and reorganization. The third step is a carve-out. And in order to progress to a carve-out, we have to meet certain qualifying conditions or some criteria, which includes validation of this whole reorganization plan and in particular validating the valuation thesis that we have developed in terms of what is the potential of this unlocking value. We feel very confident that this will unlock value. And therefore, we are progressing this plan with the intent to do so, but we have to validate it before we pull the trigger. How long will that take? It can take between 12 and 18 months for the carve-out, and it can take between 24 and 36 months for the eventual listing because we will do it sequentially. We won't do it concurrently because it's a big task to carve out and list one of these entities, so we will be doing this sequentially. So the whole program will get completed in this 18- to 36-month window as we progress this on a sequential basis. If for any strange reason our thesis doesn't hold true and we don't progress with step 3 and step 4: Step 1 and step 2 are irreversible because that is how we want to run this business going forward, so we will not be going back on step 1 and step 2. We are starting with the intent that step 3 and step 4 are natural, logical progression and extension of completing this exercise. And that is the fundamental thesis today.

And step 3 is therefore carve-out, and step 4 is the potential IPO.

So the key takeaways. This is my last slide.

So the first key takeaway is that the company has made significant progress in the first year of its strategic plan 2019 to '24 implementation. So I've provided you substantial, substantiating evidence. So this exercise is not about discarding the strategic plan. It is building on the strategic plan. So that's the first message. The second message is, by reorganizing our current business into OFA and OGI (sic) [OFI and OGA], 2 distinct, new operating groups or entities, it simplifies the portfolio. It sharpens our focus. It allows investors to participate in the 2 distinctly and separate teams via potential carve-outs or IPOs and accelerates profitable growth. Before you ask me a question which of this is more valuable, let me tell you both are equally valuable. There's no step child here. We believe that both are very different kinds of businesses, will have different kinds of investors but have -- both got great opportunities. So both are equally attractive for us.

The third thing we want to say is -- as a message is that Olam International will hold the 2 new operating groups; will provide parenting advantage; will enable and optimize synergies by providing relevant, appropriate shared services; develop gestating businesses to full potential; incubate new engines for future growth; and release capital from responsible divestments. And here I want to point out we're not doing this exercise to monetize value and sell this company and go off into the sunset. That's not our business. Our business is building companies and growing companies. We believe that we are the best long-term natural parents and owners of this business, right? So we would like to own this business into perpetuity if we earn the right to be the best parent for these businesses.

And the final thing that I want to say is that we believe that this reorganization will maximize Olam's long-term value.

Thank you. I hand over to Hung Hoeng.

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

Thank you, Sunny. Please remain on the stage for the question-and-answer session.

At this point, I would like to invite A Shekhar, Executive Director of Olam International and now CEO of Olam Food Ingredients, to join us for the Q&A session.

We'd like to take questions from the floor, audience from the floor. Please pick up the microphone from one of my colleagues who are standing at the sides, and let us know your name and the company you represent.

Yes, the lady with the stripes.

QUESTIONS AND ANSWERS

Bastavee Barooah ***Banker - DBS***

This is Bastavee from DBS Bank. First of all, congratulations on this big step. I just wanted to check in terms of the shared services under OIL. Is financing going to be one of the services that the holdco will be handling for the group?

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

I think I'll ask, invite Shekhar to talk broadly about how we are thinking now, that our work streams being set up and therefore the final determination [really done]. The Board has set up a Board steering committee; and the Board steering committee, yes, will set up a project team and 12 work streams. The question that you're raising on financing will be addressed by 1 specific work stream. And we will try and provide clarity as quickly as possible, but Shekhar can talk to you about our guiding principles on how we are going to do that.

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

So conceptually we want this to work with the principle that all the corporate functions and shared services is where -- they're housed where they are most effective in extracting full value for the group. So some of these might be embedded deep into the operating groups. Some of them might have an hybrid structure, something in holding company and something in the groups. And some of them would probably remain in the holding company and we would like to offer those services to both operating groups. So it's a little bit of a nuanced approach to each of these functions, and financing especially, because of the nature. So I can say one thing right off the bat. Since all the financing will remain in OIL, that is the holding company for -- 100% owning both the operating groups. So for the next near term, let's say next couple of years, until we actually do a carve-out, it is at that point of time we'll decide whether some debt might be embedded in the operating groups or not. And that will be something that will be discussed with all the key partners, whether banking and other in the capital market, but at this time I would envisage that the holding company will continue to provide a significant part of -- itself.

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

So as I mentioned, we are not yet creating any legal entities. So these are operating groups, so they're divisions at this point in time. And the treasury will continue to work the way it is working today as a centralized treasury for both the OFI operating group as well as the OGA operating group as well as OIL. So there will be no change pre carve-out. When we carve out 18 or 24 months down the road, we have to make the determination of what will get embedded in the 2 legal entities that have been carve out and what we will be with Olam, but because Olam is going to hold 100% of these 2 entities and -- therefore, it has to consolidate the accounts of its 100% owned subsidiaries. And when we list whatever our holding will be, 75%, 80%, whatever it is going to be, we will be still consolidating both those entities as OIL. And therefore, what we will do in terms of centralized treasury and financing, there might be some nuanced variation with the current. So for the next 2 years, there'll be no change. After carve-out, we'll determine. And that, we will obviously keep you updated on how we will do that.

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

Is there a next question from the floor? Yes, Takashi?

Takashi Nakano ***Journalist - Nikkei***

This is Takashi from Nikkei. I have a question on B2C initiative. So in which countries are you going to provide your B2C products? And would it be inevitable that your new products take some of shares over your B2B customers' products?

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

So one is we have not yet decided which markets. Our quantitative and qualitative market research studies were done in 6 cities. That was San Francisco, Denver, Singapore, Tokyo, Berlin and Oslo. So these are 6 cities where we've done qualitative and quantitative research. We have not launched anything at this point in time, so we obviously can't launch in multiple countries and multiple markets. So when we do the launch towards the end of this year, we will -- it'll become more apparent and clear, what we are doing. The second is this is a very different offering. It is a D2C offering, and we will structure it in a way that it minimizes any channel conflict with our existing B2B customers.

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

There's a question -- gentleman.

Jean Eichaker ***Banker - Unicredit***

Thank you very much for the presentation. I work for Unicredit. My name is Jean. Actually, my question is also related to B2C. I have a few specific questions. We'll see if you can address those questions.

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

Sure, yes.

Jean Eichaker ***Banker - Unicredit***

My first question related to this initiative is how much top line growth do you think it's going to generate. At which margin, which markets? Are you going to retail through large retailers, or are you going to retail online?

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

Yes.

Jean Eichaker ***Banker - Unicredit***

Yes, let's start with those few.

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

Okay. So the first question is impact on revenues. We have no idea, so I can't answer that question, yes. The second question, in terms of margins, the boundary condition for this business is, if they can't generate a gross margin, gross operating -- I'm sorry, gross margin, after manufacturing overheads, of between 40% and 50%, we won't get into this business. So there's very high-premium strategy, a very niche strategy. It's not a mass market strategy. The third, whether we will go through retailers, et cetera: Our current vision is to create virality through social media, and we want to do this as a direct-to-consumer proposition. If we succeed in creating virality, direct-to-consumer proposition, then this will be a very differentiated business; claiming, first, the Board has to decide whether we want to do this or not. We have to present options to the Board. So it is premature. I was only explaining to you this in terms of the role of OIL as an incubator. And we have to resolve the other issues of channel conflict as well. All that we know now is that there is -- so when we look at these new ideas, we look at it in 4 lenses. We use 4 dimensions to assess it.

First is desirability. Does it matter? Who cares about this, right? So now we have got enough evidence that there is a segment of the population in these 6 cities that we did this deep work on, research on -- that it does matter to these guys. And they're willing to pay money for this kind of -- so it does matter. The second test for us is viability, and viability for us is can we make money or can we create value for ourselves. It might be very desirable, but if there is no viability, then we won't consider it. And that is why I know that we are very clear. If we don't get a 40% to 50% gross margin kind of businesses, we're not interested in getting into those businesses. The third is about feasibility. Operationally and technically, is it feasible to provide sustainable traceability propositions that we are offering right from the farmer to the consumer? Is it technically feasible from a digital standpoint? From a technology standpoint, is it feasible? We believe it is feasible from a technical and product standpoint. And the last is winnability, okay? It is desirable. It matters. We can monetize value. It is feasible, but can we win? What is Olam going to bring to the table that will give us a proprietary advantage or unfair advantage to win? So we believe that our sustainability assets, our AtSource assets, our eco calculator assets, our direct farming -- we have an Olam Direct operation which is buying directly from the farmers, Olam Traceability digital module, the Olam Farmer Information

System. All of these, we believe, are proprietary latent assets and capabilities that we can really activate in helping us win.

So when we answer these 4 questions and we have a robust business plan, then the next stage is we have to take it to our Board. And the Board will scrutinize this and determine whether -- and then we have to resolve the channel conflict issues, which is part feasibility for me, and then take the step forward. So don't get too excited about it today. It might not even see the light of day if our Board decides not to go ahead with this, but our job as a management team is to generate these options and present it to our Board.

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

And do you have a follow-up question? You have follow-up questions...

Jean Eichaker ***Banker - Unicredit***

No, no. I think it's...

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

Can you use the microphone, please? Yes.

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

No. It is okay...

Jean Eichaker ***Banker - Unicredit***

--Thank you very much. I think I have much more clarity on this initiative.

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

Is there a question from the floor? If not, I'd like to turn my attention to -- yes, there's a question at the back, yes.

Serene Soh ***Banker - ANZ Bank***

Yes. I'm Serene Soh from ANZ Bank. I've just got a question in terms of stage 3 and stage 4. I suppose it will take a couple of years for you to work through the process but just wondering. At this stage, would you have any idea in terms of, if assuming the IPO goes through for OFI or OGA, would privatization of OIL be on the cards? And my second question is around the shareholding structure of OIL. Do you anticipate there will be any changes at this stage?

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

Okay. So some of these questions, you have to direct it to our shareholders. I cannot speak on behalf of our shareholders. All that I can say is, as a Board, we feel very confident that we will receive the full backing and support of our shareholders. Why do we feel confident? Because the Board has in a very responsible way consulted widely with all our stakeholders. And we believe that, since this is going to unlock long-term value, we are very confident that we will get the full support of our shareholders. The question of what the shareholder will actually do is not fair to address it to us. You have to address it to the shareholders. The second issue of whether the shareholders will have the same shareholding post carve-out and listing, pre carve-out, et cetera: All shareholders, even if they are going to remain continuing shareholders, and we hope that our large long-term shareholders will remain continuing shareholders. The moment you do an IPO and carve-out, all of this will get diluted because we're going to offer 20%, 25%, whatever that number is going to be which we'll determine later, to the market. But any individual shareholder decision, again you cannot address it to us. You will have to address it to the shareholders. So that is on the shareholders. What was the other question that you had?

Serene Soh ***Banker - ANZ Bank***

Privatization...

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

Again that's a shareholder question. Any shareholder, if he chooses, can decide to make an offer for the company. That's not a management call and that's not a Board call. The Board will have to react to any potential shareholder wanting to do a privatization. So that, again, is not our call.

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

Thank you for the question. I'll move on to questions coming online from the webcast. And the question is regarding what is -- what are the 2 businesses? OFI and OGA. How are they valued currently? And what do you think are the design valuations you'd like to achieve?

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

At this point of time, we have a valuation for Olam International as a whole which includes both the OFI businesses as well as the OGA businesses and other gestating and incubating businesses. I think the first step for us is to really resegment and reorganize into these new operating groups. And as we win in the marketplace, as we reorganize and make those changes in the marketplace and start announcing results in those formats, which will start from the end of H1, Sunny highlighted, that's the time when we will be able to get better view on the kind of valuation for these 2 independent groups. And so today, we're not starting with the premise that -- of a certain valuation number, and which is the reason why we have this delivery-stage-gated process. Our first job is to ensure that these 2 opportunities that we feel very strongly about be reorganized for maximum impact. If we get that impact, if we get the story out there to specific investors who might be invested in these specific teams, once the results start speaking for themselves, we will get a view on the value. And obviously, if we decide to go ahead with an IPO or carve-out, we would hope that the value is significantly higher for Olam as a whole from where it is today. We feel quite confident that, if we get -- do our job in the next 18 to 36 months, we'll get there, but we are not starting with a precise number of what these groups are valued at today or what we expect these groups to be valued in the next 2 years.

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

Obviously, we are doing this because we have a thesis that this will unlock value, illuminating value that already exists in the business; and also help us to accelerate value by reinvesting the proceeds we will raise from a potential carve-out and an IPO to accelerate profitable growth. So we believe that there is a thesis. You all do this for a living in terms of valuing companies, so soon, we will ask you what you think is the value of this. We don't do this for a living, so we'll leave that determination to you, but the first source of value creation for us is executing our strategic plan and meeting our financial goals and targets. That will itself dramatically uplift value of Olam. So that's the first part.

The second part is, by reorganizing Olam in the way that we are doing now and creating these coherent groups with distinct equity stories and a compelling vision, there will be investors who believe in this vision and who want to be part of this vision, who will be hungry for these businesses who will come and pay us better value because now they're not getting the businesses that they don't want and they want this team and this kind of businesses. Now there's an opportunity for us to get it. So by getting the kind of investors who believe in these teams and who want an exposure to these teams, we believe we will get re-rated as another source of value. Then when we do the IPO and the carve-out and raise capital, we are going to reinvest that capital for further accelerated growth, and that will drive value creation. And then finally, as we take all these troubled, challenged, exiting assets, et cetera, difficult assets that we want to exit over the next few years, that will dramatically unlock value as well, all right? So there are many sources of creating value, and we are focused on concurrently executing on all of these. And that is why the way we organize for execution is very important, because some of you might be troubled by the fact that we have a fairly transformational and strategic plan to execute. And then we've got now a fairly transformational and reorganization plan to execute, and will there be a challenge overload? And can we effectively manage this? So the Board has decided to create an implementation structure and governance structure with the Board steer com, a project team, 12 work streams. And we are making sure that business as usual can be run and somebody is minding the shop while there is a team that is executing this implementation. And therefore, we are preparing ourselves to make sure that we can grow both concurrently well.

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

Since the question is on funding. There's this question on funding at the operating company level or independently. So will OFI and OGA be funded at operating company level independently? Or will Olam International be raising the capital and injecting into the 2 entities as and when needed? And what happens when they are individually...

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

Yes, (inaudible), but Shekhar can explain this...

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

Yes. It was pretty similar to the question raised earlier. Again it's a matter to be worked upon. There will be clearly possibilities to do it. And even today, for instance, there are subcos of Olam International where we raise debt or where we sub-allocate debt at the operating subsidiary level. So then these possibilities are there to -- for Olam International to continue to be the entity which is raising debt, managing debt and sub-allocating debt to the individual groups. There might be reasons and rationale to raise some debt or -- at the operating group.

After carve-out, that changes will potentially happen, we have not made any determination at this point in time. We will do whatever will allow us to optimize synergies and minimize dissynergies and costs. Unless, of course, if you tell us now that, raising debt at the sub level, you will give us cheaper financing, then it's a different matter altogether.

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

There's a question on operating metrics. What key operating metrics of OFI and OGA do you plan to disclose going forward?

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

Yes. So at the end of H1, we will be addressing this both for the historical financials for these independent operating groups as well as key operating metrics that might define the progress of these groups going forward. So we would like you to hold that question for the next 6 months. And it's something that we'll address fairly and squarely when we address both the historical financials and the future method, but clearly the attempt would be for all investors, debt and capital equity investors, to understand these 2 operating groups better and be able to model them and be able to value them in a much better manner than today they are able to do across 16 BUs and platforms that we have today or 12 BUs and platform that we are continuing with. So the attempt will be to provide that clarity in each of these operating groups.

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

Yes, Amos?

Amos Ang ***Analyst - DBS***

This is Amos from DBS. In the strategic plan, you mentioned some free cash flow targets at the group level. I'm just wondering if you are able to share some targets at the -- at both segments level. And I suppose you will be giving us the financial breakdown going forward for these 2 groups. Maybe if we can share the targets for...

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

So as Shekhar mentioned, we are in the process now of recasting our historical financials based on these new operating groups. We have to -- we are also planning to provide our first year -- first half results of 2020 reporting and thereafter on these new operating groups. Shekhar has mentioned that there is team working on what are the relevant metrics that should be given to investors and analysts to help them model the prospects of this business. And the -- what kind of right balance do we need to get? If we give you hundreds of data points and information and metrics, you're going to get more and more confused, so our challenge is how do we simplify this. Because the big objective of doing this exercise is make it simple -- simpler, not simple, make it simpler. And that is something that we will do. So whether it will be FCFE targets or it will be a capital efficiency target or whether it'll be a return target, whether it'll be a margin profile target. So all of this is still to be determined. What are the metrics that will enable you to understand our business better and model the prospects of the business better is something that the Board and the working teams will be working on closely. By the first half results, when we announce the first half results, this will become much clearer to you. Then you will have more information. Historically, how did they do? How are they done currently?

Amos Ang ***Analyst - DBS***

Thanks for that. Can I just ask if you have continued divestment plans? Because I think you mentioned some noncore assets within the OGA segment...

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

Yes -- no, no, no, not within OGA. We have noncore assets in the OFI segment and the OGA segment. Right now, they're embedded in OFI and OGA. Now we are taking all of those noncore assets, deprioritized businesses which we had identified from OFI and from OGA; and putting them into the holdco so that you can see the undistorted full value of OFI and OGA without these assets. Because we've already taken a decision as a Board to divest these assets. And I reported to you on the progress of what has been divested this year. So we have shut down 6 or 7 out of those 25 assets this year. So similarly, we will accelerate that. And by 2022, we hope that we will have solved for this, latest 2023, of some assets. Bulk of the assets, by 2022, we'll have solved for. So that is a temporary problem, but it's not OGA assets. It is assets from both OFI, OGA and actually OIL also.

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

Just to add we will be announcing our first half results in middle of August this year, so we can look forward to receiving the financials of the 2 groups. Yes, back to you...

Jean Eichaker ***Banker - Unicredit***

So to bounce back on this Q&A session on assets. Where will you place your infrastructure assets, in OFI or OGA?

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

No. Infrastructure assets that you see is in OIL.

Jean Eichaker ***Banker - Unicredit***

So it's OIL.

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

So OIL has operating assets underneath it. And one of the operating -- group of operating assets it has is all our gestating businesses, which it has to take to full potential. So infrastructure assets are in OIL. And the Packaged Foods business assets are in OIL, and Olam Palm Gabon assets, because these are our 3 gestating businesses. We are investing in it and it's still continuing to grow. It's still gestating. So these 3 assets are in OIL. All of the 25 assets that we have identified for divestment and deprioritized both in OFI, OGA and OIL are part of OIL now.

Joanna Seow ***Journalist - The Straits Times***

Joanna from Straits Times. Would you be able to give any examples of these 25 assets that you've identified for...

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

I can give you the 6 that we've divested this year. So it was closing down our Fundamental Fund business, closing down our Rubber trading desk globally, closing down our Sugar trading desk globally, closing down our fertilizer desk globally and shutting down our -- selling off our Argentinian peanut farming and shelling operations in Argentina and shutting down our Lat Am Wood Products trading desk. So these 6 are -- so we did this year, so -- out of the 25. Then we have the balance left to do in the next couple of years. And next year, in -- this year, in 2020, I think we'll be making a much bigger progress in shedding off some of the others. But if I tell you all the specific as -- we're going to divest, then I'm putting a bull's eye on it. And people will take advantage of the fact it is an exiting asset and beat us down on the valuation and the pricing, so we won't specify which asset, but the Board and our stakeholders know what we're trying to do.

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

Thank you. Any more questions from the floor? I have one that come through online. Do you see the business model, strategy of the Olam Group or its respective carved-out entities changing post reorganization?

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

I think the -- we are going to build upon the strategy. We've got very strong platforms that we've built both within the OFI group as well as within the OGA group. So it's going to build upon that strong leadership position that we've got. In the strategic plan we also had very ambitious targets for each of these businesses in each of these groups, and therefore -- and that's already underway and we are quite pleased with the progress. So what we are now talking about is how to accelerate and enhance for impact. So this reorganization is really about not standing the strategy on its head but really accelerating the strategy, accelerating the time to impact. And we believe that this reorganization will enable us simplify the portfolio within each of these operating groups, sharpen the focus. And once we get the right -- the new investors and can raise growth capital, then we can really accelerate growth in each one of these operating groups. And for that, there is a huge pipeline of opportunities that we are also now seeing, even bigger and better than what we saw in the strategic plan. And we believe that this whole reorganization is -- will provide a greater stimulus both to meeting strategic plan as well as to -- beyond strategic plan.

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

So just to add to what Shekhar said. In our business model we have some goals and targets. At the top, we have a governing objective, and our governing objective is to maximize long-term value for our continuing shareholders. That is not going to change for OFI, OGA or OIL. As long as we own these businesses, that governing objective is into perpetuity. At the next level, we have a purpose, which is to reimagine global agriculture and food systems. The purpose could be made more fit for purpose for OFI and OGA or could -- and OIL or could remain the same. I don't expect it to change in the next 2 years.

Then we have a vision for Olam, which is to be the most differentiated and valuable global agri business. The vision will definitely change for OFI and for OGA and for OIL. Then we have strategy in how we are going to realize this vision and this purpose and this governing objective. That strategy will also change. There's no point in carving out OFI if it's going to be exactly the same strategy. So as Shekhar is saying, we are going to develop a game plan. The first order of business in terms of the work streams that the Board has set up is to develop a game plan over and beyond the current strategic plan in what OFI will do and another game plan for what OGA will do and another game plan for what OIL will do. So our strategy will change as our vision changes. Then we have structure, systems and processes to execute the strategy. All of that will change. Some of it will -- then we have our values and a culture and a spirit and all of the parenting advantage, the Olam Way. Those, we will want to perpetuate in these businesses. So if you look at our business model, there are some things we will definitely want to change. If you don't want to change anything, then you don't need to do this, yes, but some things will not change.

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

There's one question here. Sunny, you mentioned that you have the support of shareholders in this plan...

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

I didn't say that. I said I'm confident we will have the support of shareholders. I'm not speaking on behalf of any shareholder here. The Board is confident given the responsible way with -- this plan was developed, the way they consulted stakeholders, the way we appointed independent financial advisers of good standing. And then combining the Board's own experience, intuition and expertise and all the experience that they have, they have come to this judgment. And we feel very confident that our shareholders will support it. That is different from saying that the shareholders have told us they are going to support it. They have told us nothing of the kind...

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

There are no more questions from the webcast. Are there any more burning questions from the floor? Otherwise, we are happy to continue to engage with all of you. We have lunch prepared for you at the Wisdom area. Please join us so that we can continue our conversations. We'll bring this briefing to a close. And thank you for your attendance once again.

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

Thank you. Thank you very much.

Shekhar Anantharaman ***Olam International Limited - Group COO & Executive Director***

Thank you very much for joining us.

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