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Olam International Ltd 2019-2024 Strategic Plan Presentation

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PRESENTATION

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

Good morning, ladies and gentlemen. Welcome to Olam International's Learning Academy on the 19th floor at the Marina One Singapore. Glad to see all of you again.

Today, we are announcing our new refreshed strategic plan for the period 2019 to 2024, our next 6-year period. The presenter for -- on the plan is none other than our head honcho, our Group CEO and Co-Founder of Olam International, Sunny Verghese. Let us welcome him up here to kick off his presentation. Thank you.

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

Thank you, Hung Hoeng, and good morning, ladies and gentlemen, and welcome to Olam's briefing of our new 6-year strategic plan. As most of you know, we have a regular cadence for developing a strategic plan. We typically have a planning horizon of 6 years that is split into two 3-year cycles. So this is not a special exercise. This is a part of our one of our signature processes that follows a regular cadence.

So we now developed a strategic plan and have got a board-approved strategic plan for now the next 6 years, which is for the period 2019 to 2024 split into two 3-year cycles: one is 2019 to 2021 and the second is 2022 to 2024.

I want to draw your attention to the safe harbor clause and the cautionary note on forward-looking statements. Obviously, we're going to be discussing the next 6 years, so there will be a lot of references to what we are planning to do and what the estimates, et cetera, are. So please make sure that you have read and noted the cautionary forward-looking statements, note on the forward-looking statements.

So I want to make 4 points before we get started and dig into the strategic plan itself. The first point is that as all of you know, we are reimagining global agriculture and food systems. And as we go through the course of this presentation, it will become more apparent to you what we mean by reimagining global agriculture and food systems. And as a result of reimagining global agriculture and food systems, we believe by the end of this plan we will be offering tomorrow's products and services that are required by a changing consumer landscape that has catalyzed our customers and right up the chain to us as suppliers to rethink the way we serve our customers and our consumers.

The first point that I want to make is we play a very pivotal role in these agri supply chains and these food supply chains to source various raw materials and transform them to provide food, feed and fiber to the world. So that's the first thing. The second thing that I want you to note is consumer preferences for both food and food ingredients are rapidly evolving with the consumer placing greater emphasis on health and nutritional value unlike in the past and also for issues like simplification of ingredients, for clean labeling, for supply chain provenance and supply chain traceability, supply chain visibility and finally, on all the aspects of sustainability. As a result of these preferences, this is driving a trend towards consumers opting to consume products that they think are right for them or good for them, right for the planet or good for the planet and right and good for the producers.

We have therefore refreshed our strategic plan to meet this changing customer landscape consumer preferences, and we are doing 2 things. One, we're continuing to invest in our capabilities and in our chosen businesses to enhance our leadership position. That's the first thing we're doing. The second thing that we are doing is we are investing in and capitalizing on the trends that I just briefly described to you, and we will look at it in greater depth later, in terms of health and wellness and traceability and sustainability. And if you do all of this, we are confident that our focus on furthering our leadership position in our chosen businesses will help us, and in line with the consumer preferences, will help us create greater value for all our stakeholders, including the shareholders; our customers; very importantly, our suppliers who are very important for us; and our employees and our other partners.

So I want to start off with what our point of departure is: What are we really good at today? What are our capabilities? How are we differentiated today? That guides a lot of the choices that we're going to be making going forward in terms of the winnability of the plans that we have crystalized.

So I want to look at our capabilities and how we are differentiated in 3 buckets. The first is in terms of our portfolio. Many of you know that we are in the agribusiness and we are involved with agricultural commodities, but many of you might have missed the point that we have a very uniquely shaped portfolio. Firstly, that we specialize in speciality agri-products, and that is very different from our competitors or our peer group.

So for example, in the Edible Nuts business, the top 12 peer group companies in our industry do not compete with us. So ADM, Bunge, Cargill, Dreyfus, Wilmar, COFCO Agri, ED&F Man, Glencore Agri, Barry Callebaut, these are the top dozen odd peer group companies. None of them competes with us in the Edible Nuts business. That does not mean that we do not have competitors in that business, but none of the deep-pocketed, big muscle, long pedigree guys are not present in that business. And the same applies for the spices business. None of the top 12 majors compete with us in the spices business. In the Cocoa business, 2 out of these 12 -- top 12 compete with us. In the Coffee business, 2 of the top 12 compete with us. So we have developed a portfolio of speciality products where we have built global leadership positions and we are not directly head-on competing with the major peer group companies.

Second, in some select mainstream bulk commodity categories like Grains and Animal Feed, like Palm, which are the large bulk mainstream commodity categories, we have adopted a very defensible and very differentiated strategy. So in the Grains and Animal Feeds business, a big focus for us is doubling down on destination processing. So we do wheat milling in many markets in Africa, and we are a significant leader in that business. We make significantly higher margins in doing wheat milling in Africa compared to the wheat milling margins in Asia, whether it's Indonesia, Vietnam, China, India; or in Europe or in the U.S. So in the mainstream bulk commodity categories that we are participating, we have developed a differentiated and a defensible strategy.

The third piece of our portfolio is the way we are selectively integrated in the value chain. 25% of our invested capital today is in the upstream and about 39% of our invested capital today is in the midstream. That shape of the portfolio is also quite unique in our industry. We'll discuss a little bit more about that as we go forward in this presentation.

And finally, our unique Africa footprint, being in 24 African countries in sub-Saharan Africa, and more importantly, our operating capabilities of managing in Africa gives us a distinct advantage in terms of our Africa businesses.

This second piece of how we are different is really what I would like to refer to as our competitiveness, our competitiveness in terms of how we compete with our competition. And with everybody else participating in our value chain, I want to draw that difference with respect to 2 anchors. One is at the customer end. At the customer end, we provide a lot of differentiated value-added services and solutions. I will talk a lot more about that as we progress in this presentation. And that is to meet the major evolving consumer preferences and trends. We adapt our strategy to differentiate at the customer end by providing differentiated offerings and services to our customer in addition to the physical products that we supply.

Then the second point of differentiation in terms of our competitiveness is at the grower or supplier, at the grower or supplier [when we out origin] our competition by going and buying from the lowest level of aggregation possible directly from the farmers or village-level farming groups in the producing countries. So we have unrivaled origination capabilities in the various food and food ingredients and fiber products that we supply to our customers.

The third is that we anticipated and we're well ahead of the curve in building a sustainability engine advantage. So clearly, we have a very distinct sustainability engine advantage and that's not because in my old age and the senior leadership team and Olam's old age, we have gone soft on wanting to do the right thing, but because we believe it's essential to differentiating our business and central to creating long-term value and an absolutely important way of inspiring our teams.

And finally, we have now embraced digital wholeheartedly. So over the course of the last 2.5 years, we have made significant investments in digitalizing Olam, and we will talk a little bit more about what are the pilots that we have done and where they scaled up and how we are scaling that up. So that is the second element of how we are different and what our capabilities are.

And finally, we have built an organizational advantage. We believe we are amongst the best teams in the industry, the deep specialist expertise, product market expertise. Many of the media people who are here, writers of Bloomberg, et cetera, you want to know something about anyone on the commodity markets. We will be one of your first ports of call. So we have that expertise, but more importantly, we have very engaged and inspired and motivated people. Our capacity to attract, retain and inspire our teams through the various signature processes that we follow in the company gives us a true advantage. There's a lot of ownership mentality in the company. And our ability to operate as one company despite being in 66 countries and despite being in many platforms or business units, many parts of the value chain, we are still able to operate as one company and being able to take crosscutting initiatives from one business unit to another from one country to another, from one function to another.

In 2014, we restructured our shareholder base and we got long-term investors who believe in the prospects for the agricultural complex and the agribusiness sector, who believe that we have developed a winning strategy, who want to back this strategy, who believe in our capacity to execute that strategy. And that has given us significant resilience and strength to navigate through the volatility and cyclicality that is inherent in our business and stay the course in implementing our long-term strategy.

So this is the backdrop in terms of us looking at the opportunities and risks that there are in our market space and how we can develop a road map and strategic pathway to build value for the company.

So as we were looking at the strategic planning exercise, we recognize that we are at a pivotal moment in our history, driven by 4 factors. I'll be talking about a lot of 4s. So if you want to remember our strategy, think about 4. So this is the first 4.

So firstly, we believe we've, over the last 30 years, honed our existing winning business model. I explained some part of it in the last slide. The second factor for us or driver for us is there is a real revolution in the way consumer preferences are evolving, and we want to take advantage of those new trends and opportunities as a result of the evolving consumer preferences and changing customer landscape in the food and agri sector.

The third is, all of you know, we redefined a new purpose for Olam early last year, building on what we have been doing. But then we crystallized a new purpose, which was to reimagine global agriculture and food systems, and we'll talk a little bit more about this when we talk about the trends. And then last year, as you saw in our annual report, we had moved to Olam 2.0, which had 6 imperatives in terms of how we are going to change our business model over the next phase of our growth and development.

So we realized as we were doing the strategic plan that this was a moment for us to refocus on our strengths and capitalize on the new opportunities that we saw. And we felt that we had an opportunity to reset the company, to reshape the company, to reimagine the company to then provide new products and services required for tomorrow by our customers and consumers.

Okay. So as all of us know, strategy, and I was in a meeting of board leaders from across the globe, 50 chairmans and CEOs of companies primarily from Europe, North America and Asia, and one of the questions we were all discussing is what is strategy and everybody had obviously a very different notion of what strategy is. For us, strategy just has to answer 2 simple questions.

The first question it has to answer is where to play: Which businesses do you want to be in? Which countries do you want to participate or invest in? Which parts of the value chain you want to participate or invest in? So strategy has to answer the question where to play.

And the second question it has to simply answer is how to win. It's a simple question but a very difficult one to answer. After you have chosen where to play, which businesses, which countries, which parts of the value chain, you have to also answer the question how you're going to win.

So those are the 2 things that we seek to answer as we discuss what our strategic plan is going forward. But before we start developing the plan, we have to be very clear what the aspirations and ambition of the company is and also what the performance goals are that our stakeholders and our shareholders and our board and others want to set for us as owners of the company.

So I'll start with the aspirations. That has not changed. We have a hierarchy of 3 goals. This is the only thing that is not 4. It is 3. Probably easier to remember. The first goal for us is really our governing objective, which is why we are in business, what the endgame is. And our governing objective is to maximize long-term intrinsic value for our continuing shareholders. And we know that in order to achieve that governing objective, we have to do 3 things. We have to develop strategies and allocate capital so that we can open up capital spreads between our return on equity and our cost of equity or between our return on invested capital and our weighted average cost of capital. That's the first thing we need to do.

The second thing we need to do is to differentiate our business so that we can grow faster than competitors, which means the second driver to creating value is the rate of profitable growth. And the third is we have to build those advantages that will last for some period of time, a certain duration of time, the competitive advantage period that will allow you to grow faster for a longer period of time which will magnify value creation. Simple things to say, very difficult things to do. But these are the 3 things you need to do to meet our first aspiration in terms of our governing objective of maximizing long-term intrinsic value for our continuing owners.

The second hierarchy of goals -- 3 goals that we have is our ambition, our vision, and our vision is to become the world's most differentiated and valuable global food and agribusiness by 2040. So in the next 6 years, we have to reach a certain milestone to be on track to becoming the world's most differentiated and therefore, hopefully, the most valuable global food and agribusiness by 2040.

And the third hierarchy of goals for us is our purpose, and our purpose is to reimagine global agriculture and food systems, which means how do we support and enable producing more food, feed and fiber to feed a growing population that is estimated to be between 9.5 billion and 10 billion people by 2050 without destroying the planet. Or how do we produce more food, feed and fiber with significantly less resources? How do you transform the food system to produce more healthy food? How do you transform the food system to not waste the food that you produce? 35% of the food that we produce is wasted. $1 trillion worth of food is wasted every year while 820 million people still go hungry to bed every day, right? So that is what we mean by reimagining global agriculture and food systems.

So we come to the 4 goals that we have to meet at the end of the strategic plan, right? The first goal is an ROE goal, and we want to achieve a minimum ROE of 12% and above by 2021. That's the first goal in the first 3 years of the plan. The second goal is really a return goal again, but it is EBITDA to invested capital. So it is a proxy for return on invested capital, and we want to achieve at least a 13% EBITDA to return on invested capital from 2021 onwards.

The third is free cash flow to equity positive, not operating cash flow positive, but free cash flow to equity positive after investments. And that, as you know, in 2016, in 2017, we were substantially FCFE positive. In 2019, the first year of this new 6-year plan, we are going to be FCFE negative because there is a significant investment plan in 2019. But this goal is that from 2020, which is the second year of this plan, for every year, the subsequent 5 years of this plan, our goal is to be free cash flow to equity positive in each of the remaining 5 years and to sustain that. And finally, we want to achieve all this within the gearing or financial risk condition of we will be having a gearing of less than or equal to 2 every year of this plan over the course of the next 6 years.

So these are our aspirations and goals which we have to achieve by the end of this plan or during the course of this plan.

And now in order to make the choices, the big issue is really what are the key trends that are underpinning our industry, the key macro trends, and you can boil the ocean in terms of trends. And if you look at all the analysts and people who are right about these trends, you can get lost in those trends. So we have boiled the ocean for the trends but really crystallized those 4 things that are really going to matter to our business over the next 6 years and more importantly, the implications of the trends on our strategy.

So the first trend, as I mentioned, is this big movement on behalf of the consumers to buy things or consume things that they see as right for themselves, right for me, good for me. Nielsen's did a survey in '17 where across demographic groups, the response in that survey was

90% of the respondents said that they believe if they eat well, they will live well. 70% of the respondents said that they make active dietary choices based on their concerns about preventing chronic diseases like high blood pressure or diabetes or other lifestyle nonchronic diseases, right? Last year, there were 23 billion images on the Internet on food and food recommendations, and that went up by 170% over the prior year. I don't know whether you or your partner has the habit of clicking every meal, every dish that is served. My wife does that. Irritates me, but she does that. And people want to show off what they eat and to say that they are avant garde, niche, trendy and they're eating the right kind of things and their followers want to eat that same stuff.

So these trends are, one, towards more healthy consumption, healthy food and higher nutritional value food. There are many personalized diet planning companies that have sprung up now, which is saying that the food that Shekhar eats because of his body type, high metabolic rate, low metabolic rate, his gut bacteria has to be different from the food that [Edwin] needs because he has got a different body type and different gut bacteria and different metabolic rates. So these guys are coming and saying, " Edwin , on Monday you should eat this and on Tuesday you should eat this. And since you don't have to go and buy all of this stuff from 100 different places, we will supply it to your doorstep, a week's worth of nutrition", right? That's how things are evolving.

They all want customization. They want quality over quantity, willing to pay a higher price for free range eggs or free range chicken or all the other kinds of natural, organic, green stuff that we see people wanting to consume. They want authenticity of those ingredients. They want to eat local. There's a slow eating movement, right? They want to eat everything that is natural and avoid everything that is artificial. There's a big predisposition to going natural. Organic is -- consumption is growing.

Many countries' regulatory policies are also influencing this. So governments are now coming up with policies on sugar-sweetened beverage tax. More than 17 countries, including Singapore, is now contemplating to introduce a sugar-sweetened beverage tax. Hungary has introduced the fatty foods tax. Japan has introduced the metabo law. So if you're fat or obese in Japan in certain provinces, you have to go for a compulsory dieting and exercise classes. Otherwise, you are taxed more, and the province where you live is also taxed more. So this is a huge, big trend, right? The smoothies market in the U.S. is now a $15.8 billion market. It was nothing 5 years ago. So these are big changes that are happening in terms of consumers choosing to eat right-for-me kind of products, and this has a big implication for our business and our strategy.

The second is they also want to eat stuff which is right for the planet. Agriculture is the single largest contributor to environmental degradation. The World Economic Forum has just released its 14th edition of the Global Risks Report. And for the first time in the 14 editions, they have said that 3 of the top 5 risks -- they've identified 10 top risks and many other risks, but 10 risks, out of the 10, the top 5, 3 of the top 5 risks are environmental-related risks. And then they have a second category -- this is about likelihood -- the second category is about the severity of impact. And 4 out of the top 5 risks in terms of severity of impact is all environmental-related risks. We've already reached 4 out of the 9 planetary boundary conditions. So we do not operate today in a safe zone to produce the food that we consume, right? There is a collapse of ecosystem and biodiversity loss, the planetary boundaries that we cannot lose more than 10 species for every million species that we own every year. We lose about 1,000 species, 10x the planetary boundary today.

So just a week ago, the EAT-Lancet Commission, which consists of 37 scientists from 16 countries, scientists from different disciplines, including agriculture and including plant science, and climate scientists and all of them have come together to saying that the biggest thing or the biggest lever to optimize health and optimize sustainability of the environment is food. So wrong food choices and improper eating habits is a bigger driver to mortality and morbidity compared to unsafe sex, alcohol consumption, tobacco consumption and drug use combined. So eating is a lot bigger deal than any of the other vices we think is a bigger killer.

So this group of scientists have now come out with science-based targets, saying what is the right food to eat, good food to eat from a health and nutritional standpoint and which is sustainable in terms of how you can produce it without destroying the planet. If you are to feed 9.5 billion or 10 billion people by 2050, we will need 2x, 2.5x the planet that we have to be able to do it, or we have to reimagine and revolutionize food and farming systems so that we can produce that food with half the planet.

We believe like the 2 degrees call by the IPCC, global warming target, which was also a science-based target, scientists from all over the world working towards that target, this also will be adopted by national governments and the UN and everything else. And just like we have the UN Sustainable Development Goals and the Paris accord, at some point in time, governments and policymakers, national and international organizations will start adopting this first of its kind and first time science-based target for food.

So all of the environmental boundaries become very critical. That is why Olam footprints, what is the carbon emissions to produce 1 tonne of cocoa and supply it to our customers, or 1 tonne of coffee? What is the water intensity that we use to consume to deliver that coffee or cocoa? What is the waste footprint that we have? And now through our AtSource, we are offering 95 sustainability indicators to our customers for them to understand exactly the footprint of all the food, food ingredients, feed ingredients that we supply to them. Many of our customers are looking for assurance and certification of the supply chain, supply chain visibility, supply chain provenance, traceability. All of that is becoming a big deal. It's always being now asked by our customers, and they all want a sort of direct link to our producers.

The third big thing is how I live and consume, and that has dramatically changed. 27% of all the food choices made last year were through social media recommendations. So how we live and consume today is very different. People are not really going to shops. Out-of-home consumption, out-of-home eating, eating on the go, all these are big, new trends. And the way we live and consume our food, et cetera, is changing quite dramatically, and that has implications for how we should develop our strategy.

And finally, how it is produced is also dramatically changing. So in our plantations, for example, we have sensors, IoT sensors, on almond trees to monitor the moisture stress in the trees so that we can improve our water usage efficiencies by only irrigating that particular tree when it is required for the precise duration of time with the precise amount of water that it requires, and we have dramatically improved water usage efficiencies. We use long wingspan drones in our plantations to map the farms and the plantations to understand exactly where we need to intervene for a disease infestation or a nutritional deficiency issue. We've got handheld devices for our field officers visiting the plantations on a daily basis to take photographs and realtime for us to monitor the health of the crop. We have a lot of investments that we are making in automation of harvesting and automation of tapping, et cetera.

And finally, in the factories, we do the same thing, right? So we now got sensors in all our Tier 1 facilities. We have 200 manufacturing facilities. We have hundreds of thousands of motors running these facilities, and we've got now IoT sensors and these motors for predictable preventive maintenance. So life is changing in terms of how we produce as well, and all of these 4 trends put together has a very important impact on our business and our strategies and our business model.

So based on all of this, we have developed 4, again, 4 strategic priorities, 4 pathways. Our first pathway is to strengthen, streamline and focus our portfolio. And the first point that I want to make here is we are investing to grow our proven businesses where we already have significant differentiation and global leadership. The second is we want to de-prioritize some businesses which no longer fit in with our strategic priorities, and we want to redeploy and recycle that capital to the businesses that we want to remain with. So that is our first strategic pathway.

Our second strategic pathway is to improve margins in our business. As many of you know, the industry is faced with margin pressures because it has gone through a deep down cycle over the last 6 years. And because most businesses are not differentiated in the peer group, there is always a struggle for margins.

So we want to improve margins to 2 different groups. One of those groups in which we want to improve margins is improving our cost and capital efficiency, and that is one source. But there is the other source which is our third strategic pathway, which is can -- we want to offer more differentiated products and services and solutions to our customers, both our existing customers and our existing channels, but more importantly, new customers in new channels and segments. And we offer different kinds of differentiated services and offerings. I'll discuss that in some detail later, but this includes our AtSource solution, our risk management solutions, our value-added services, our ingredients push and the product innovation that we do.

And then the second is to get into new customer segments and channels that we are not present in, particularly a big push towards co-manufacturing to food service and to e-commerce. And the fourth and final strategic pathway is to explore investments in new engines for growth, feeding on the evolving consumer preferences that I alluded to in the trend slide and then seeing how we can partner with our customers, et cetera, to tap into the sweet spot of what does a consumer wanting, what we are good at delivering in terms of our capabilities and what is good for the planet. So looking at that intersection between what the consumer wants, what we are good at and what is good for the planet.

So those are the 4 key strategic pathways: first, to strengthen, streamline and focus our portfolio; second, to improve our margins; third, to offer differentiated products/services both in existing and new channels and segments; and finally, to explore investments in new engines for growth. So let's just look at each of these in a little bit more detail.

First point, which is strengthen, streamline and focus our portfolio. The first thing to take away is that we are going to be investing -- sorry, the first thing is that we are going to be investing quite a bit in strengthening, streamlining and focusing our portfolio. We follow the usual practice that we have done in the past of how we are going to judge the portfolio that we have now and make those choices. So we took stakeholder inputs. We looked at our historical performance in each of these business units. We looked at the trends that I just described. We looked at the competitive landscape, and we looked at the new growth opportunities that these trends, et cetera, present.

And based on all of that, this is the first thing that we have decided now, that we will continue to invest in businesses where we have consistently performed, have market-leading positions, have a clear differentiation, it is in line with the key consumer trends and there is a significant potential for future growth. We have identified 12 business units out of the 16 that we have where we will focus total investment of US$3.5 billion over the next 6 years to enhance our leadership position in these businesses. And out of this US$3.5 billion, $1 billion will be about maintenance CapEx and US$2.5 billion will be new growth CapEx. And these are the 12 businesses that we have chosen to prioritize: the Edible Nuts business, the Grains and Animal Feed business, the Cocoa business, the Coffee business, the Cotton business, the Spices business, the Edible Oils business, the Africa infra and logistics business, the Dairy business, the Rice business, the Packaged Foods consumer business and one part of our Commodity Financial Services business. And we will discuss this a little bit more as we go forward.

The second thing that we are doing is to streamline our portfolio by deprioritizing 4 business units out of the 16 and then recycling and redeploying that capital to double down on the chosen businesses that we want to prioritize. We expect that this will release about $1.6 billion of cash over the planned period for us to achieve that. However, it is very important for me to say that we will do this in an orderly fashion. We will do this in a responsible way. There is no gun on our head that we should do this today or tomorrow. We will do this through the course and horizon of this plan over the next 6 years. We will do it from a position of strength. There will be absolutely no question of any [fire sale] of these assets.

So when we look at the portfolio in terms of streaming and -- streamlining and strengthening the portfolio, we looked at different criteria. So we looked at how attractive this market is going forward in terms of growth rates, in terms of margin profile and in terms of where the profit pool is shifting in these businesses. So that is the first criteria. The second criteria that we looked at, what is our differentiation in these businesses. Do we have a real competitive edge advantage? So that is the second criteria that we looked at.

The third criteria we looked at is what has been the performance track record of this business and execution track record of this business. The fourth criteria that we looked at is, is this business got any control [over some] chokepoints? So for example, we own a lot of permanent water rights in Australia, which is a very scarce asset. That creates a chokepoint. Or you have land in some country which is extremely valuable and a scarce asset to grow your crops. That is a chokepoint. Our logistics assets can be a chokepoint. So that's the fourth thing that we look at.

The fifth thing that we look at is, is it consistent with the strengths that we talked about and in line with those strengths? And finally, we looked at, is it sustainable? From an environmental and social sustainability standpoint, is this business sustainable? So even if this business has performed but if it is not in line with the trends and it is going to give us a massive sustainability exposure, we are taking the hard call of exiting that business unit, right?

So that is about strengthening, streamlining and focusing our portfolio. And just to give a little bit more details, as you know, the remaining 12 businesses, we can spend the day discussing the business unit strategy, but we don't have that time. So I just wanted to talk about the heart and engine of each of the remaining 12 businesses, what are the heart and engine of the strategy.

As far the Edible Nuts business is concerned, the soul of the strategy is to maintain the current global leadership in that business and expand our upstream footprint in almonds and pistachios and also expand our ingredients push and co-manufacturing business. So that is the heart of that strategy. In the Grains and Animal Feed business, it is to expand destination processing, for example, the wheat milling business and the animal feeds milling business in Africa, and to continue to build an asset-light global trading business, not asset-intense, no significant investments in port and elevation facilities.

As far as the Cocoa business is concerned, it is to continue to grow its business as the most integrated cocoa ingredient company, providing solutions and innovations to its customers worldwide. As far as Coffee is concerned, we want to maintain a global leadership position in the supply chain, and we want to double down on soluble coffee business going forward.

In the Cotton business, we want to maintain our global leadership in the supply chain business, but we also want to make a bigger portion, expand our integrated cotton ginning business and selective investments in farming in Brazil and in Australia where we're already doing that farming.

And in the Spices business, we want to expand our onion, garlic and tropical spices business where we are already the global leaders, and we also want to make a big push in midstream processing of these spices to create further value.

And when we look at the other businesses, Edible Oils, we want to increase our ease and cost efficiency in our plantation in Gabon and West Africa, and we want to focus on the Palm Oil business in Africa and invest selectively in the midstream and refining business primarily in Africa. The infra and logistics play is an Africa play, and we want to use the successful experience that we've had to make very targeted and select investments in other African markets, but in partnership with other shareholders. So we have many other shareholders in the business, including large infrastructure funds, Meridian, et cetera, who want us to now also move from Gabon to other African countries.

In the Dairy business, we want to expand our dairy farming operations in Russia, and we want to grow our midstream footprint to become a supplier of high-quality dairy ingredients.

In the Rice business, we want to expand our Asian origination, and we want the link and leverage our origination strengths in Asia with the demand from Africa, particularly in Africa through distribution of branded packaged rice.

In the Packaged Foods consumer business, we want to achieve leadership in the selected categories in the first 2 markets that we have entered this business in, which is Nigeria and Ghana, and then expand into adjacent neighboring markets by extending these categories into those markets.

And finally, the Commodity Financial Services business, we had 3 activities. We had a fundamental fund business and the plan was to make this a discretionary commodity fund. The second was we had a quantitative fund; and the third is we had a risk management solutions and services business. We have decided in this plan to close down the fundamental funds business, but we will continue with the focus on developing and deepening our quantitative strategies capability, and we will continue with the quantitative fund business, but all captive money, not third-party money, and we will extend the risk management solutions and services business to more embedded business for the products that we supply and, therefore, manage the risk of producers, consumers based on the risk profile.

So that is a brief strategy of the 12 businesses that are remaining.

The second strategic pathway is to improve margins, and we said one angle of improving margins is more capital and cost efficiency -- capital productivity and cost efficiency. In terms of cost competitiveness, our plan is to take out $200 million of costs over the course of this plan from different cost heads; whereas direct cost, 'whereas indirect costs, including factory overheads, plantation overheads, selling, general and administrative overheads, interest cost, all of that cost elements. We hope to take out about $200 million of cost over the course of this plan. And then the second part of improving margins from a cost and efficiency side of things is to optimize the capital productivity, where we want to reduce our cash-to-cash cycle. So this is the last 2 years' trend line where in '15 -- '16 and '17, we have dramatically improved our cash-to-cash cycle, and therefore, our working capital productivity.

The third and the very important piece of the strategic roadmap is how we are now doing more, offering more differentiated products services solutions to our existing customers, new customers and existing channels as well as new segments and channels. And here, we have many initiatives. Some of these initiatives already started a couple of years ago, and now, we want to take it to scale across the broad spread of our portfolio.

So the first is AtSource. We think that this is a game-changing innovation and solution. We launched it in April of last year in 4 products with 15 customers as the launched trial. That has been completed, and we are now extending it rapidly into new -- into our other products and with more customers. So this is -- AtSource is a digitally enabled solution that offers our customers sustainability indicators -- on 95 sustainability indicators across 12 sustainability areas. So when we supply, we'd tell them how much of greenhouse gas emissions were involved, how much water usage, how much waste emissions, who are the farmers from whom we bought, where are they located, all the information on social site, on environmental site to our customers. This has created a lot of excitement with the customers. They are now becoming passionate advocates of Olam. You can't ask for anything more beyond nurturing your customer relationships where your customer becomes your passionate advocate. They are not getting this from anybody else. Nobody else is offering this. This is the first of its kind. So we are very excited about how this can create more stickiness with our customers, increase our share of wallet with our customers and potentially give us some pricing power with our customers. So this is the first generation.

The second is risk management solutions, both to our producers from whom we buy, to the consumers who buy from us and to other state-owned enterprises, et cetera, in different countries who are suppliers of these various raw materials and ingredients, we want to offer customized risk management solutions and services. And that enhances the product that we supply to them. So just supplying cocoa, if you can supply along with cocoa a maximum guaranteed price contract, it is seen as extremely valuable by our customers. So that is the second innovation.

The third thing that we are doing in differentiated services is providing value-added services, which we've been doing for some time now, but we want to increase the scale and extent of the value-added services. This includes organic certification, it includes all of the kinds of verification and certification, Rainforest Alliance, Utz Certified, 4 C certified, all kinds of verifications and certifications, as well as offering them customized grades and qualities rather than just the standardized commodity contract quality, but customized grades and qualities that they require for a particular end customer or end consumer.

The fourth thing that we are doing in terms of value-added offerings and services is really making a big push into ingredients. And this will help us capture higher value by taking our processing capabilities further. And in cocoa, in edible nuts, in spices, in coffee, all of that, we are moving very heavily into the ingredients space. So that is the fourth value-added offering.

And the final value-added offering is in product innovation. And I just have a few quick examples, and for this, I might have to refer to my piece of paper because there are many of them, I'm not going to go through all of these stuff. But over the years, we have been innovating to meet the specific requirements of our customers who are being led by the consumers based on all the trends that I talked to you about. So for example, we now have developed a peanut butter [variegate]. We are the largest independent peanut butter manufacturers. We have now developed a peanut butter variegate that goes into the Peanut Butter Crunch Ice Cream of Häagen-Dazs. So that was an innovation that we developed. We have a peanut -- high oleic peanut paste variegate which goes into Kellogg's for their

Pop-Tarts, which we innovated the solution for them. We provide our cashew roasted granulates, which is again an innovation, and that is now going into the LÄRABARs of General Mills and the Nature Valley bars of General Mills. We offer the same thing to KIND, which is under a very large snack bar company, but this is an innovation that we have developed for them. Our hazelnut paste and roasted granulates is now being developed for companies like Storck, for Ritter, for Nestlé, for Mondelez.

In the Cocoa business, we have developed the first of its kind true dark fully natural black powder. The only way you can get black powder, you eat the Oreos, is you have to use an alkalizing agent to get that dark color. We have developed the first fully natural dark powder. That is an innovation that has come from our facilities. We are developing now a truly white cocoa butter, right, which we are developing for a select set of our customers, mainly through specialized refining and fractionation processes. We are making a big bet on plant sciences to understand the genealogy of the cocoa tree, to say how a particular cocoa tree from Sulawesi in Indonesia versus (inaudible) in Côte d'Ivoire will reflect in flavor characteristics that will therefore be useful for a Hershey's brand or somebody else, right?

We have developed a whole range of new soup line for Progresso, and I can go on and on, right? So there is a big push that we are making towards innovation that will allow us to produce all of this. And if you look at some of our customers, McCormick has now launched a pure herb and spices line made with no artificial colors, no artificial preservatives and no artificial flavors. They have gone into GMO labeling for their premium gourmet line, taking out GMO in the premium gourmet line, right? And Kellogg's, General Mills, Hershey's, all of these customers are really being now pulled by this new consumer preferences, and as they are looking pulled, they are looking to us to provide them the solutions.

So that is this piece of differentiated value-added solutions and services. And we also want to now generate new revenues, additional revenues from new customer segments and channels. And here, first is the co-manufacturing trend, where brand owners are outsourcing their manufacturing to people like us because they believe that, that is no more their core activity and they want to focus all the resource in brand building, and therefore, they're wanting to outsource their manufacturing to us. So many customers, many example of where we are taking that business.

Food service, $1.3 trillion annual buying of food and food ingredients by the food service industry. We have, for example, a big share for supplying onions to McDonald's, some of our other businesses service Starbucks for customized products. But we feel that we have not even scratched the surface. There's a lot more that we can do in having specialized teams and skills brought to the company to tackle the food services market in a bigger way, not only the large examples that I've given you, but much of the smaller medium-sized food service companies.

And finally, e-commerce. So we are making a big push because, today, the basis of physical selling -- our cost to serve the small and medium customers is very high, and therefore, we ignore the small and medium customers. Now with having developed our digital engagement channels and portals, we are able to access the small and medium-sized customers with much lower cost-to-serve, and that will be a big source of growth for us going forward.

And then finally, we are exploring 2 investments and investigating 2 opportunities in terms of new engines for growth. And the first opportunity that we are looking at is really how do we meet the evolving needs of the consumer. We had talked about all these trends. So we are working in partnership with our customers, et cetera, to develop opportunities, which meets the -- or which is in the intersection of these 3 things. What is good -- what the consumer feels is good for them or right for them; what the planet needs, therefore, what is good for the planet; and what we are very good at as a company in terms of our sustainability edge. So that is one. Secondly, we are also taking additional steps to get closer to our suppliers and farmers by exploring the launch of a farmer services platform. We are running pilots at this point in time where we create a platform and a marketplace for our farmers and suppliers, for all agri-input partners, fertilizer companies, seed companies, agrochemical companies, micro-finance companies, crop insurance companies and our customers to come and link up in that ecosystem in this marketplace.

And so these are our 4 strategic pathways. To make this happen and to execute this plan, we need 4 enablers, again 4. So if you want to remember the 4 enablers, first is operational excellence, and I'll talk a little bit about that; second is sustainability; third is digital; and the fourth is leadership and talent. So what do we mean in terms of customer excellence, what -- in terms of operational excellence, what do we need to do?

First is for every profit center in Olam, every SBU in Olam, every BU in Olam, we will have 12 BUs left, we will have some 37 SBUs left, we'll have over 250 profit centers left. At the profit center level onwards, we will have 3, 4 metrics that really matter, and they will have digital dashboards on a periodic basis that shows how we are performing operationally against those metrics that matter, and then putting in place a continuous improvement engine to take out cost, improve efficiency, improve quality on a continuous basis. And finally, to get very different obsession with execution discipline. We don't want this plan to be a plan of promises. We want this plan to be a plan of outcomes and results. And the only way it can move from being a plan of promises to a plan of outcomes and results is to have operational excellence embedded in the company. So we're making a big, big emphasis on this one.

The second is putting sustainability at the heart of our business and I described to you why this is so important. It is not because it is just a hobby horse of us. It is because it is a dedicated link to creating long-term value. It is a clear competitive differentiator. It is one of the important ways that we inspire our teams, and it also acts as a risk mitigator, right? So all of you know that our purpose as a company is to now reimagine global agriculture and food systems. There are 3 outcomes that we want to deliver, prosperous farmers and farming systems, thriving communities and regenerating the living world. In order to achieve those 3 outcomes, we focus on 10 material areas or focus areas. Those are the 10 that I relate in there. Some are social issues, some are environmental material areas. And if you implement on those 10 focus areas, you will potentially achieve the 3 outcomes. But we also are linking this to how we are impacting the UN SDGs. We believe that we have a role to play in impacting those UN Sustainable Development Goals. So this is a very aligned and comprehensive framework that looks at our purpose, planetary boundaries, UN SDGs, linking it up with the material areas and focus areas. And this directly plays into the 2 points that we have made there in terms of the consumer preferences, how this is so important for meeting the needs of the evolving consumer preferences and how, since the consumer wants it, our customer demands it; and since the customer demands it, it catalyzes the whole supply chain. And that is where we are. And we think we are uniquely positioned as (inaudible) to deliver on that.

The third enabler is digitalizing Olam. And over the last 2.5 years, we have run many, many pilots, some of them we have scaled up now to commercial models, and we are working in really 3 broad areas. One is what we call With The Farmer. So we are now doing 2 large-scale pilots in Indonesia on digital origination where the farmer has -- we have 5 apps where the farmer is using a smartphone to transact with us. The village lead has got an app. The warehouse keeper up-country has got an app. So there are 5 apps. That digital origination, again, in our industry, nobody has done it. So if we can scale this successfully, this could be a game changer. And then there is the Olam farmer information system, 4.7 million farmers, more than 250,000 farmers already on the system, where we know everything about what they are doing, where they are -- geo tagging them, where they are positioned, and therefore, it forms a very, very valuable database for us. On top of it, we provide all the traceability, Olam Traceability digital solution, our digital warehouse solution, our digital procurement solution. All of that helps us into the second bucket, the AtSource differentiator that I talked about giving supply chain prominence and everything else to our customers. That cannot be done without this back end. It relies on this back end to be able to deliver that to the customer. And we talked about e-commerce. We talked about how we are producing in terms of what innovations we have in our factories in terms of converting them to smart factories. We have talked about innovations we are applying on the farms, digital innovations that we are applying on the farms in terms of moving towards smart farms and also in terms of e-trade and finance, paperless documentation. So these are the 10 digital initiatives that we are piloting and scaling and now, making it commercial for us.

And the final enabler is really about our team. All of what I said so far is only possible if we focus on this. And our objective is to really inspire our teams. We want to first make sure we have satisfied employees, and we have to deliver 4 things, again 4 things, to have satisfied employees. We have to make sure that they have a fair, healthy work environment, safe work environment. We have to make sure that we train them and equip them with the skills and roles and capabilities required to do the job. We have to make sure that once you have trained them, they are allowed to do the job without too much bureaucratic interference. And finally, you have to reward them fairly. If you do all of these 4 things, you'll have satisfied employee. But the goal is moving the satisfied employee to an engaged employee. That's a whole different ballgame. In order to have an engaged employee, you are to deliver 4 more things. First, you have to give them autonomy. He has to feel that he's got some self-direction and control on his own. If he doesn't have autonomy, he's never going to be engaged. Second, you have to give them opportunities to master the skill. If he sees at the end of the year he's become a better risk manager, better trader, better farm manager, better factory manager, better HR manager, he will feel that he's maturing as a professional and he's mastering the skill. That will engage him. He has to feel that he's a part of an extraordinary and winning team. If he doesn't feel that he's part of a winning team, he is not going to be engaged. And finally, he has to believe that his role has some impact and relevance to the company. If he is a project lead and he submits a project before, you put it in your shelf and it gathers dust, he knows he's not relevant. So you have to do these 4 things to make him engaged.

Then the Holy Grail is how do we move from being engaged to really inspired. And for that, he has to find meaning and purpose in his work. And he has to be inspired by that meaning and purpose. And that is why we talk a lot about our purpose. And the big difference between satisfied employees' productivity versus an unengaged employees' productivity, satisfied employees, on an average, the studies show are -- productivity is about 70%, 77%. That's the range. Engaged employees, 125%, 150%. And inspired employees is 225%, 250%. Only 2% or 3% of the world's companies have inspired employees, and not many companies have got high engagement scores. A lot of companies have satisfied employees. But you want them to come to work on the balls of their feet. You want them to be fired up when they come to work. For that, you need to give them a cause, you need to tell them there's a problem that we're all trying to solve and could potentially change our sector, change the world, then they really want to come and work for you, particularly the Millennials. 57%

of the world's population now are Millennials and Generation Z, another 19% is Generation X. So 77% of the world's population are looking for all of this stuff. All of us in this room fall into one of these categories. Okay?

The second is about founder's mentality. As we grace, grow and scale, we want to maintain our entrepreneurial spirit. What is different in Olam is that we are a bunch of entrepreneurs and we have an entrepreneurial spirit. But as you scale and grow, you want to professionalize your business and then there's a lot of bureaucratic mischief and you become a struggling incumbent or a struggling bureaucracy. We want to make sure that as we grow and scale, we are reliable and predictable, but we don't want to become a bureaucratic company or an incumbent company. We want to remain an insurgent company as long as we are alive. Amazon is a great example. Their headquarters is called Day 1, and they call themselves a day 1 company. Every day for them is day 1, they're just starting off. We want that mentality in Olam. So that's a second important thing for us in terms of reaching that.

And finally, re-imagineering. So we had this program this year when we launched our new purpose last year. This year, we followed up with inviting volunteers, not appointing them, inviting volunteers in the company to join this re-imagineering movement and come up with ideas to reimagine agriculture food systems. And more than 8,000 people participated in these workshops and understood it and all the stuff. We already received some 500 ideas and how they believe where they are working we could take some action or find a solution to re-imagineer it. It's created a lot of energy and excitement in the company. So that's the third part.

So we had these 4 trends, those trends informed our choice in terms of our 4 strategic priorities. And in order to implement those 4 strategic priorities, we have these 4 enablers. So if I were to give you a quiz now, this is the takeaway slide that you have to remember.

The next steps, so we have successfully completed our strategic planning exercise. And this strategic planning exercise, the results of that has been approved by the board. The board was deeply involved in this process. So this strategic planning exercise has now helped us answer the 2 questions that I started off with: Where to play and how to win. Which business units we want to be in, which business units we want to deprioritize; which strategic business units we want to be in, which strategic business or units we want to deprioritize; which profit centers we want to be in, which profit centers we want to deprioritize; which assets we want to keep, which assets we want to shed. Also, how to win. All of the pathways that I described to you here in terms of how to win, that is being done now.

We are now engaging financial advisers, we will appoint them in March to explore various options in terms of how we can reposition our portfolio to maximize value for our shareholders. So they're not going to do a strategic planning exercise. They know that this is what our portfolio and our risks, is there a coherent way of organizing this portfolio and repositioning this portfolio so that it is more easily understood by investors and analysts, and therefore, we can get a better reflection of the fair value of this business and how can we unlock the hidden value and illuminate the hidden value in this business. So the board and the company now appointed these financial advisers. They're expected to come into the work in the middle of March and expected to complete by the end of September, so the fourth quarter, somewhere around that time, we will have this second piece of the work completed as well.

And therefore, if we achieve this plan by 2024, we will have made a pivot and reimagined Olam and we will be a global food in agri business that delivers food, feed and fiber, along with innovative solutions and services to support our customers' growing need for sustainable and transparent supply chains with a clear focus on tomorrow's consumer preferences. This is what our point of arrival will be in terms of how Olam will be reimagined as we complete this plan and execute this plan.

So in summary, the last slide, offering tomorrow's products and services, reimagining Olam. These are the why we want to do this, led by our governing objective, our vision and our purpose. This is what our goals are. This is where to play. This is how to win and the enablers.

We are now happy take your questions. Hung Hoeng will be back here.

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

Thank you, Sunny, for your presentation. I'm sure you have made us a little bit hungry now with all the mention about peanut butter, black powder chocolate and white powder chocolate -- dark powder, white -- dark powder cocoa and white powder cocoa. So I'm sure you have burning questions as well so let's start with the journalists amongst us. Yes, Reuters?

QUESTIONS AND ANSWERS

Aradhana Aravindan

Aradhana from Reuters. First, 2 clarifications. The businesses that you're looking to divest in Sugar, Rubber, Wood Products and Fertilizers, is the plan to eventually exit these businesses or just sell them down? Then the second question is basically you've elaborated on the broader considerations when you have decided which you want to deprioritize. Perhaps you can take us through specific considerations when you've decided on, say, divesting Sugar or divesting Rubber. And the third one is the financial goals that you've set yourself. Are these completely new goals? Or are they tweaks to previous ones that you might have set yourself?

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

Okay, I hope I remember all your 3 questions. But the first question, what is the first question?

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

Partially sell-down, deprioritizing or exit criteria.

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

Yes, so the first question was whether we are going to be exiting them fully or exiting them partially. So the 4 business units that had been identified, over the course of this plan, we will exit those businesses fully. But the pathway to exiting those businesses might be through different sequence of steps. It could be partial sell down first before the full exit. And this is, as I said, going to be done in an orderly way and not a fire sale. And we will take our time about it and we will choose the right time to partially sell down and fully exit. But the objective would be, by the end of this plan, in the next 6 years, we would consider a full exit of these 4 business units. The second question was you wanted to take these 4 business units and give you some idea of what informed our judgment about those businesses while we had those 6 criteria. So let's just take the Sugar business. So we believe, based from the EAT--Lancet report as well that has now come out but we are all aware of this from long ago, we see long-term structural decline in sugar consumption. The EAT--Lancet report says global sugar consumption has to come down by at least 50% from where it is today. So one, it is not in line with the sustainability principle that we are talking about. Two, from a market attractiveness point of view, if this is the scenario, we feel it'll be structurally less attractive. So attractiveness, sustainability would be 2 considerations there. Some of our assets in the sugar business have done extremely well. Some of our assets have not done that well. So it does not matter only about whether they perform or underperform, all these other criteria are also involved in making that call. In the Wood business, again, there is boundary conditions now that the planetary boundaries and others are coming up with, which says that preserving these ecosystems is extremely important for the environmental risk that we all face. So it is a very niche, very profitable valuable business for us, but long run structurally, that doesn't make as much sense now based on our new strategic priorities, the evolving consumer preferences and the sustainability issues that I just mentioned. So each of these we have done on that basis. The Fertilizer business, we feel we are not fertilizer manufacturing company. We were not even then. So we only did that project because we had a strategic partner at that time, which was Tata Chemicals Limited. For various strategy reorientation the Tata Chemicals had, they have decided to exit that business. We haven't as yet successfully found a new strategic investor in that business. We are making now further progress in that regard. So we are seeing, in the long run, that is not a business where we want to put more capital into, and therefore, would like to eventually exit that business. And again, that might happen in a sequential step of first, partial sell down before a full exit. Yes?

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

Can you please take the mic from my colleague.

Anita Gabriel

Anita Gabriel from The Business Times. Just a follow-up to that question. I know you don't want to be pinned down to a timeline with regards to the divestment of the 4 business units you were talking about, but what would be ideal, when prices of this agri-products on the up and up? And if that were the case, at which point of the 6-year plan do you expect to arrive at that?

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

So each business unit has very -- has different component parts. So in the Sugar business that we are exiting, we have a sugar trading business. That is easier to close down, shut down. We have already done that. There will be ongoing contracts, et cetera, that we are to wind down. So depending on what the SBU and the related as it is, some of the assets, it might be in industry down cycle, we might have to wait, but that is only one consideration, not the most important consideration. But it will be, things like whether we've got the right partner that we want to sell to. So if we want to exit our Wood business, we don't want to sell it to somebody who's going to take it and plunder it. We can say no, it's not in our ownership anymore so we have no responsibility. But we would like to -- it to go into the hands of somebody who's going to provide effective stewardship for that business. Some of our existing employees might go along with the business. We want them to find a home where the new owners are responsible stewards. So there will be many considerations which is why we don't want to say that this will happen when. I don't see much of the major divestments happening in the next 12 months, for example. But there will be pieces of the business, like the trading businesses, which are easy to wind down. If that business has a trading company, that is easier to wind down. But the assets, et cetera, we do not want any fire sale of these assets. We want to do it in a responsible way as I just described. We want to do it in an orderly way and a balanced way.

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

Why don't we give the...

Ranjeetha Pakiam

Ranjeetha here from Bloomberg News. Can I just check, how do you plan to raise the money to fund the $3.5 billion in -- of investments that you -- you shall go to Temasek or is it through capital markets? And is Temasek driving all these changes?

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

Okay, so 2 separate questions. One is, how are we going to fund the $3.5 billion estimated planned CapEx investments. So first, we are going to release cash from the businesses that we are exiting. That will, over the course of this plan, generate $1.6 billion of cash. If you are going to invest $3.5 billion in fixed assets, even if you take a conservative gearing of 50-50, 50 equity, 50 debt, we currently operate on 40 equity and 60 debt, but for calculation purposes, we will use 50-50, a more conservative gearing, you need $1.75 billion of equity, right? So we will have enough cash released from the exiting BUs. Then over the 6 years, I hope we'll be extremely profitable. They'll be a lot of cash that are generated and internal accruals after we pay our dividends, et cetera, that will be available. So this plan that we have presented to you today does not require any fresh capital raising or equity raising, whether it's from Temasek or any other shareholder of us. So that's the first part of your question. Second is, is Temasek driving this strategy? No. Right? Temasek is a very important shareholder of Olam. Mitsubishi is a very important shareholder of Olam. As is Olam style, we engage deeply with our shareholders. Not just Temasek and Mitsubishi but the family shareholders, the Kewalram Chanrai Group, Orbis and all other the shareholders. We regularly meet our shareholders. We always look for what their issues and concerns are, what they want the business to do, what their expectations are. And when I told you how we are developing the strategy, I said one piece is stakeholder inputs, we do detailed surveys of our shareholders, what they want, et cetera. But there is the notion that one particular shareholder is driving the strategy, et cetera, is not true. And in any event, the board takes the final call on the strategy. We can take all the inputs from our shareholders, et cetera, and provide that as a backdrop that this is our shareholder are thinking, this is what our shareholder inputs are, the board can accept or reject it. The board has to take into account the interest of all shareholders and the long-term future value creation for the company. That is what the board will focus on. So I think we have followed a very robust process but this is not a special process or a new process. Every 3 years, we refresh our strategic plan. There's a regular cadence to it, and this is -- the last strategic plan ended in 2018, last year, through the course of the year, then we've had our quarterly

results briefings, you all asked us every briefing about what does that mean to your strategic plan, what are the conclusions of your strategic plan. Here are the conclusion to the strategic plan. So it is not triggered or initiated by one particular shareholder.

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

Next question?

Aradhana Aravindan

Another follow up, I just wondered how you've envisioned redistributing some of the resources that will come up when you -- for example, when you shut your sugar trading desk, do you envision moving them to some other desks, the resources that you unlock from it?

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

Yes, so whenever those skills are very relevant for Olam today and relevant for the strategy, we don't want to lose those people and we'll redeploy them. And that has happened on the sugar side, that has happened in the fundamental side -- fundamental fund side. We have 16 people in the fundamental fund side. I think 14 of them have been redeployed to various desk because they bring some very valuable insight, skills and experience. But if they have very specialist skills that we cannot utilize now with the exit of that business or that strategic business unit or the profit center, then we find the most responsible way of helping with them with outplacement so that they can find new careers with our help. So that is how we do it.

Anita Gabriel

Just a point, the analyst coverage for your stock is pretty low and you mentioned hiring financial advisers to maybe rearrange your diversified portfolio or something. I was wondering if this -- what this would involve? Would it involve perhaps spinning off assets? Or could you give us a little bit more details on what you're looking at to raise your appeal to the investing fraternity?

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

So the first part of your question, the fact that you stated that we have very low liquidity in our share -- analyst coverage, you said analyst coverage. So a few years ago, we had more than 25 analysts covering the stock. We had a 49% free float, and there was a lot of average daily trading volume and liquidity in our stock. So all the brokerages and analysts who were covering our stock knew that if they put research report, they will get business where they're from because people will be interested in buying our stock and selling our stock. But after the VGO in 2014 and Mitsubishi coming into our stock in 2015, which was all deliberate actions on our side to restructure our shareholder base, to have more long-term patient shareholders with longer holding periods, our liquidity has naturally come down. It is not unexpected, it has come down. As a result, we now have very little liquidity in our shares -- trading of our shares. The major shareholders control a large chunk of our shares. So there is limited free float and limited liquidity. So you're now asking me the second question that the next part of the exercise of bringing in financial advisers to advise the company on how we can reposition the company or reorganize the company to create value or unlock the hidden value that there is in the business, that we cannot prejudge today. If I could, then I don't need the bankers to come in and do all the stuff. So we are asking them to take an outside-in look based on our strategic plan. Now that the strategic plan has been crystallized, we know which business units we want be in, SBUs we want to be in, profit centers we want to be in, which assets we want to retain and what want to shed over this planned period, they will come and take a look and say, if you make this reorganization and put these businesses together, it'll be a more coherent organization. The analysts will be able to better model the prospects of that combination, therefore, you will attract a different kind and the right kind of investors for that business, and therefore, it can eliminate value, right? So for example, 1 of the top 12 majors that I talked about as our peer group, Barry Callebaut, today trades at close to 4x book. Olam is trading at 1.1, 1.2x book. The industry is trading at a median of 1x book, and they are trading at a much higher P/E, much higher EV to EBITDA multiples, that is because they have one business and people are able to understand the business easier, model the prospects of the business easier. So even if you don't improve your operating performance, there's a lot of value that's getting lost because of the way we are organized now and the way that value is seen by investors and analysts. So without prejudging what the financial advisers will recommend, the objective and the mandate to the financial advisers is, take the finalized and approved strategic plan and advise us on how we can reorganize our business into logical combinations that would best eliminate value of the business.

Anita Gabriel

So in other words, you'd be open to perhaps spinning off the assets in 2 and relisting them separately, that is your...

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

I cannot be open to a specific idea, but I am open to all ideas. I can't say specifically I'm open to only one idea, but I'm open to all ideas, and that's the role of the financial advisers. And obviously, the board will then make that call. They might reject the financial adviser's recommendation, they might accept it, depending on how compelling and convincing that advice is, because all we will be looking at is the costs and benefits of following that advice. And if the benefits far outweigh the costs of following that advice, we'll embrace it. But we are very excited about that exercise. We have done all the hard yards of making the choices of where to play and how to win. Now we will leave it to the financial advisers to earn their fees.

Unidentified Participant

Can you give us more details...

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

Can you take the microphone, please?

Unidentified Participant

More details on the wheat milling business expansion planned in West Africa?

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

So currently, we have wheat milling investments in Nigeria. We are the second largest wheat milling company today in Nigeria. We have wheat milling investments in Ghana. We have wheat milling investments in Senegal, and we have wheat milling investments in Cameroon. In Ghana, Senegal and Cameroon, all those investments were done in a greenfield organic business. In Nigeria, we made 2 acquisitions. The first acquisition we made was acquiring CFM. At that time, CFM had capacity utilization or utilization rates of 40%. We now have 94% utilization rates in that note. They had extraction rates of 73%, 74%. We have now 79.95% yield and extraction rates. So while most of the industry, with a median utilization rate of 42% and a median extraction rate of 74% -- 74.5%, have a very different margin structure than what we have in terms of margins. And then to add to that advantage, which is coming from deep technical expertise and milling expertise, we have some of the world's best wheat millers with us and engineers with us, that is what is giving us this advantage. On top of that, because we are also grain trading company, our ability to source compared to the non-trader processors in Nigeria who are not grain traders, our origination strength and our risk management strength gives us an additional advantage. Third, because we are present in origins like Russia where we source wheat, most of the wheat millers in Africa, (inaudible) and Nigeria source U.S. hard red winter wheat. The Russian wheat is much cheaper. And because we control the origination, we can source the quality of wheat from Russia. That will not compromise the bread flour characteristics, for example, but at a cheaper price. That gives us an advantage. When you bring all of these together, it's a powerful capability for data. So we have a winning business model, a very differentiated business model. So we want to double down on that. I cannot today be specific in which country and how much we'll invest in this nation processing, but this will be one of the priorities for us.

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

Thank you. Let's pause for a moment and take some questions from the webcast. The previous questions lead into this next question. How do you plan to allocate the US$2.5 billion across 12 platforms; the kind of products, businesses that you see yourself best positioned in.

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

Yes. So the first response of the question is, we are not going to democratically allocate capital to the 12 remaining chosen businesses, right? These businesses will be receiving capital or allocated capital differentially based on where we see the best value that we can get. So while I cannot be specific about our detailed plans, I can tell you that business is like Edible Nuts, businesses like the Grains and Animal Feeds business, businesses like Cocoa, Coffee, Spices, Cotton, these are all examples of businesses that will get a disproportionate allocation of our capital because we have built very read differentiated positions, global market-leading positions, and we have clear winnability in these businesses.

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

Are there more questions? Yes, please. Can you have -- can you bring in the mic? Thank you.

Unidentified Analyst

Sunny from SMBC. I wanted to check up, on one side, you mentioned that you will be making new investments into areas. On the other side, you have so financial goals, such as profitability, because in the past, we have seen that once you make some new investments, there are gestation period of the project and that brings profitability down. How do you manage these 2?

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

You would always get that balance right. So in terms of the 2 new opportunities that we talked about, they're still in the exploratory phase, an investigation phase. We will only make a commitment once we are already clear that, that will not skew the portfolio in terms of gestation. The investments that we're looking at are not going to be the gestating kinds of long-lived plantation investments or long-lived large manufacturing investments. So these are businesses that we have identified, which will not have that kind of gestating profile or capital intensity that you are alluding to. But eventually, we'll have to get the right balance between growth and cash flow. If you only focus on cash flow, you sacrifice all future growth. It might be great for an exiting CEO and exiting shareholder. But if you're going to be a continuing shareholder, and probably a CEO for some more years or whatever time it is, then you want to take the right decisions that will balance the two. So what we have now developed as a portfolio, the board and the management team have been very focused on making sure we have the right balance. And that is why we are committing that from year 2 onwards, we will be free cash flow positive to equity after capital investments for every year over the next 5 years of this plan. That shows a better balance between growth and cash flow. Yes?

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

Can someone bring the microphone to this gentleman?

Unidentified Analyst

[Andrea] from CBA. I wanted to -- interested to understand what macroeconomic factors or macroeconomic trends have been considered when designing the strategy, especially when we look at the current trade wars between U.S. and China and also the slowdown in China growth. So has this factors been also considered? And how would you reflect on that?

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

It's very much so. So I think our business benefits from more deregulated, more liberalized markets. So globalization has been a bit positive for companies like us. We all understand the negative consequences of globalization and how policymakers and governments didn't pay the right kind of attention to manage the negative consequences of globalization. The next iteration of globalization I think will address that. But we are now confronted with new macro trends. So the rapid advancement of artificial intelligence and robotics, et cetera, will displace people, and the future of work is going to be radically transformed. That will create similar kinds of pressures that unaffected globalization also resulted it. So the specific trends that we just currently topical, which we discussed a lot, is really the trade war between the U.S. and China. And that if there's no resolution for that, how will it impact. So I've seen some outside and analyst reports looking at our sector, looking at all the companies in our sector and seeing which companies are more vulnerable to a trade war between the U.S. and China, which companies are less, we are at the bottom of that list in terms of the least likely impact. We will also be impacted, but least likely impact by a factor of 4x least likely to be impacted compared to the leaders there who has a much bigger exposure to, for example, China trade flows. We are more diversified in our trade flows. But if global trade growth slows down, the market growth for companies like us also slows down. So if global GDP growth is estimated at 3%, potentially global trade growth will be around 4%, which will mean a demand for food, agricultural raw materials of 2% CAGR as long as these growth levels are maintained. So we are in our plan looking at a 1.5% to 1.75% growth in demand over the horizon of this plan. So I think we have been reasonably conservative of what the growth numbers would be.

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

Gentleman in green.

Simon Jong ***- Analyst***

Yes. Simon from DBS. Can I just ask with regards to the return on invested capital metric that you put up, the target of 13%. Are you able to guide based on the run rate of '18 maybe for the first 9 months, where that level is, and also if there's a gap between your aspirational target. And given the consideration of the cost measures, where do you see the low-hanging fruits would be across the various segments, whether it's through acquisition or operational improvements?

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

Yes. So the simple answer to your question is no, because, as you know, we don't give quarterly, medium or long-term guidance. Yes, we will explain our strategy to you. We'll explain the rationale for the choices that we are making, but we will give no guidance. We will give you targets. Yes, so these are our targets. So I will not be able to give you a guidance how 2018, the year that has just ended. We're just entering our closed period. We'll be announcing results end of February, what the EBITDA to IC will be at this point in time. But we can probably broadly answer your second question in terms of where are the low-hanging fruits that will help us drive this improved productivity in terms of getting a higher EBITDA to IC ratio. To get a higher EBITDA to IC ratio, we have to do things: one, adjust the numerator; second, adjust the denominator. So we have to improve the EBITDA and EBITDA margins. We have to reduce the invested capital, right? So in order to improve the EBITDA margins, we have given you different pathways that we are using to improve the EBITDA margins. One revenue-linked pathways or revenue-anchored pathways, so we would offer differentiated products and services and solutions like AtSource risk management solutions, value-added services push into ingredients, innovation -- product innovation that I described to you, getting into new customer segments and channels like co-manufacturing, like e-commerce, like food service. So those are all initiatives on the revenue side that will help us improve our EBITDA margins. We will also improve our EBITDA margins in the numerator by becoming more cost and capital efficient -- sorry more cost efficient, not capital efficient. And I gave you a target that we're expecting to take our US$200 million of costs over the next 6 years of this plan. And then on the denominator side, we have to improve our capital productivity and reduce our invested capital. And that is why we showed you the trend, capital productivity task flows in the company, which is focused on how we can improve our capital productivity and net capital efficiency, our working capital productivity, our cash-to-cash cycle time. So if you can address both the numerator and the denominator, then we can have a reasonably high confidence of realizing our target of getting to the to 13% EBITDA to IC.

Ranjeetha Pakiam

Can I just ask a follow-up question to my early one. So just overall, how -- in general, how supportive is Temasek as a shareholder? And secondly, separately, so is it fair to say that Olam is focusing on niche commodities like nuts and oils that other big food giants like ADM, for example, that have none?

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

So on the first question, you seem to have particular affection for Temasek. So what was the question about regarding Temasek? Sorry.

Ranjeetha Pakiam

How supportive?

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

How supportive, yes. So I believe that any of our shareholders, who are not supportive of our business, the prospects for our industry, believe in our strategy or believe in our capacity to execute the strategy, will always sell down. What do investors do when they're happy or unhappy with the company? If they're too happy with the company, the investors still sell, because they're too happy they've got a fantastic value. The company is giving enormous value, and they say let's take it off the table now, right? If you perform well, they want to stay on. If you perform poorly, they want to sell down. If you perform very poorly, they want to exit. So there's no point in me telling you how much Temasek support us. They have written big -- they've invested in Olam first time in 2002. We listed the company in 2005. They exited their investment in 2006. They re-entered our register in 2009. They've made a significant additional investment in 2011, and then they made a VGO for the whole company in 2014. So you have to make up your mind whether they are supporting us or not supporting us. We are delighted that they're supporting us and they believe in our prospects and our future, but they're not going to be emotional about any investment, whether it's Olam or the 400 other investments that they have. They are stewarding the resources of Singapore, and they will take their choices and make their calls based on what and how they can maximize the interest of their stakeholders. But we are delighted with their support, we are delighted with their commitment. That's the kind of long-term shareholder that we want, and so we are very happy with them. But we're also very happy with Mitsubishi, and we are very happy with the Kewalram Chanrai Group, the original sponsors of the business. We are very happy with the management, shareholders who are stuck by the business. So we are very happy with all of them, and no single shareholder has got any kind of undue influence on the company. In fact, Temasek has no board members. Temasek has no board nominees on our board. We have 2 board members from Mitsubishi, which is part of the shareholder agreement. We have nobody from Temasek. What was the second question?

Ranjeetha Pakiam

Just wanted to ask, is it fair to say that Olam is focusing on this niche commodity such as oils and Edible Nuts that others like ADM, for example, that is not?

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

That's a big part of our success, very big part of our success, that we are focused on the specialty commodities like Edible Nuts, like Spices, like Cocoa, like Coffee, like all these businesses. So in the Dairy business, the top 10, nobody competes with us. Edible Nuts business in the top 10, nobody competes with us. And Spices in the top 12, nobody competes with us. So you are absolutely right. That is one part of us, not the only strength. That's one part of the strength. And that is only possible because we have built real leadership positions in those businesses. We could have treated those as niches. And if we treated them as niches, we had no way to scale it to a global business. The best thing that we did was to take those speciality businesses not treated as a niche and really scale them to global leadership. And today, our Edible Nuts business, which is a speciality commodity where the market size is a fraction of the market size of, say, Grains and oilseeds complex. In a few years' time, by the end of this plan, we will earn more from our Edible Nuts business than the biggest player in the Grains and oilseeds businesses. And that, we like.

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

All right. Thank you. We're running short of time. I would like to take the last 2 questions online, essentially on the de-prioritized businesses. Let's take the first one. Can you elaborate why you're exiting rubber? What do you intend to do with the upstream rubber plantation business you have in Gabon? That's the first question. Let us take that one.

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

Yes. So I gave you the various criteria that we use in deciding which businesses we want to stay on, which businesses we want to exit. If you want to grow the rubber business, we have to be prepared to taking more land to grow rubber. And in terms of the regions and places where rubber can be grown, it might involve planting rubber in degraded forest land. We don't think, from a long-term structural sustainability standpoint, that is possible. In a farm business, we already got relevant scale. We have planted 65,000 hectares. In rubber, we have planted 1,100 hectares. So that is one consideration. We think it is a very monetizable asset as value gets crystallized when it completes the gestation, because we got the right cost structure. We got very high yields in this plantation because typically African -- West African rubber yields are much better than Asian rubber yields, because West African climate and soil conditions are much more suitable for growing rubber, less suitable for growing palm compared to Indonesia and Malaysia, for example, or Thailand for rubber. So as a result of that, there is no big opportunity to have a very profitable supply chain trading business in rubber. All of these supply chain trading companies in rubber are always struggling for profitability because the margins are always under pressure. So while our rubber strategy was mostly upstream focus where there is excess returns in margins, but there is no opportunity to link and leverage that upstream with the midstream and trading piece, and therefore, we think overall for us, it will be still an attractive industry. But overall for us, given the various things that we have talked about, we think releasing and redeploying that capital from that business to some of the other businesses where we can really win differentially is a wise thing to do and a sensible thing to do.

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

The second question is on the funds business. Are you exiting the fundamental fund because it is no longer profitable? And why is the quant strategy better.

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

So one, the fundamental fund business, because we are very large market participants in the businesses that we have chosen to participate, we are already doing this in our existing desks and divisions. The fundamental fund business was carved out and a set of traders were moved into that, so that we can do it with other people's money, not really Olam's money, and set up a fund eventually after we build the track record. But we have now decided not to do this for others and not to attract third-party capital, which means this business team was duplicating what the others were doing in their desk. So it is better for us to move them to those desks directly, rather than they be a separate team outside of those desks. So most of the people in that team have been redeployed into our other desk because that is what all these other businesses as part of their activity -- as a small part of their activity is doing, and we are abandoning our prior objective of developing a discretionary commodity fund business, which we -- which is no longer in our plans for the next 6 years.

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

Maybe we take the last question, I thought I saw a hand behind. Is there somebody who wanted to ask a question?

Unidentified Analyst

It's Fiona from Westpac. Just a follow-on question from the rubber question as well. I just noticed just historically, a lot more sustainability issues related to the palm oil business. And yet, Olam has chosen to put more priority on palm compared to rubber and wood, which you have already described adequately why you want to exit. So could you give us a little more detail on the efforts Olam is doing, on the sustainability front with respect to Palm?

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

Yes. Thank you. So firstly, we will not develop any plantation investments or plantation operations not only in palm or rubber, but across all the plantation and farming operations that Olam has. And we are in other plantations, pistachio plantations, walnut plantations, and cocoa plantations, and coffee plantations, and rubber and palm plantations, and pepper plantations in many annual raw broad crop, eco-farming crops as well. But we will not invest upstream unless we meet certain conditions. First, we will not develop any plantations in high HCS areas, High Carbon Stock areas. That's is a boundary condition. Second, we will not develop any plantations in high conservancy value areas where there is less species or high conservancy value. Third, we will not develop plantation if there's no free prior informed consent, including recognizing the traditional and customary rights, not just legal land rights. So we're going to a country, the government gives us land to get into plantations and the legal title is with the government bodies. But if we recognize the traditional and customary land rights, if somebody's forefather had farmed that land, we will give higher importance to that customary traditional land right. And if he does not give us free prior informed consent, we will not develop our plantations there. That's the third boundary condition. Fourth boundary condition, there should be no exploitation, zero exploitation. So we have laid out very clear boundary conditions than those of -- that we will not compromise at any length or level. But it's not just important to say what are the nos, nos, nos we will look at. What is the SP's thesis here. So we will want to develop plantations when we can impact the outcomes and our purpose, if we can help revive and catalyze farming systems and farmer livelihoods, if we can build thriving rural communities. Because when you make this plantation investments, 25-, 30-, in some cases, 50-, 100-year life -- useful life of those plantations. So you can only do that if you focus on getting license from the communities to operate, which means they have to see that you're coming there and adding values, creating jobs, upscaling them so that their future is far brighter with you as a participant in that ecosystem. And thirdly, if we can regenerate the living world in terms of protecting the biodiversity and protecting the environment. So in our palm plantations in Gabon that you are alluding to, we have 130,000 hectares of concession area. We have planted 65,000. We have left 50% of that land unexploited. And at our cost, we maintain those forests. They degraded forest, but we maintain them and provide them. There will be -- that is what we call the set-aside ratio. There'll be no other plantation in the world -- palm plantation in the world that has that kind of set-aside ratios. That's one. Second, every hectare of our 65,000 hectares will be RSPO-certified. Today, 8% to 10% of the world's palm oil is RSPO-certified. We do not want to be in this business if 100% of the palm oil is not RSPO-certified. So we will have the most sustainable palm oil plantation in the world. We are proud of it. We will be still attacked by single-issue advocacy groups. We will work with them as closely as possible. But if we are doing the right thing, we will stand our ground. If we are doing the wrong thing, we should own up and get out of it.

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

Sunny, do you have any concluding remarks before we end the session?

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

No. Thank you for your patience. Thank you for all your incisive questions, and look forward to seeing you at the next results briefing.

Unidentified Participant

Yes. Thank you so much.