



Olam International Limited

Q1 2016 Results Briefing

May 13, 2016



Presenters



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Notice

This presentation should be read in conjunction with Olam International Limited's Quarter ended March 31, 2016 Financial Results statement and Management's Discussion and Analysis lodged on SGXNET on May 13, 2016.

Cautionary note on forward looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries ('Group') that are of a forward looking nature and are therefore based on management's assumptions about future developments.

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

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam's future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today's press release and in the management discussion and analysis section of the Company's quarter ended March 31, 2016 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Agenda

- **Highlights – Q1 2016**
- Financial Performance
- Key Takeaways

Highlights – Q1 2016

- **PATMI grew 212.8% to S\$113.6 million**
 - S\$12.5 million exceptional charge in Q1 2016 vs S\$97.2 million charge in Q1 2015, incurred on **buyback of high priced bonds** to reduce interest costs
- **Operational PATMI** marginally lower at **S\$126.1 million** vs **S\$133.5 million** in Q1 2015
- **Prioritising growth in select platforms**
 - **Full consolidation of the results of ADM Cocoa** (Cocoa Processing assets) and **MMI** in Q1 2016
 - Completed the acquisition of **BUA Group's wheat milling and pasta manufacturing assets in Nigeria** in Jan 2016
 - Announced **US\$150.0 million investment in animal feed, poultry breeding farms and hatchery in Nigeria** in Apr 2016

Highlights – Q1 2016 (cont'd)

- **Continued to optimise tenure, mix and cost of debt**
 - **Reduced net finance costs** from **S\$123.2 million** in Q1 2015 to **S\$99.4 million** in Q1 2016, despite higher invested capital
 - Completed **repurchase and cancellation** of entire **US\$500.0 million** of outstanding **6.0% Convertible Bonds** due in late 2016
 - Announced the issuance of **5-year US\$300.0 million notes** at 4.5% coupon, **US\$650.0 million Revolving Credit Facility** and **5-year US\$175.0 million loan** from IFC
- **Balance sheet and cash flow**
 - **Net gearing of 1.97 times** as at March 31, 2016; in line with 2016 objective of **at or below 2.0x**
 - Generated **positive net operating cash flow of S\$309.9 million**, whilst **FCFF was negative at S\$156.0 million**, as a result of the acquisition of **wheat milling assets** in Nigeria for **S\$311.7 million**

Highlights – Q1 2016 (cont'd)

- **Progressing on strategic partnership with Mitsubishi Corporation**
 - Formed a **30:70 JV, MC Agri Alliance Ltd (MCAA)**, with Mitsubishi Corporation (MC) in Japan
 - JV will import and distribute coffee, cocoa, sesame, edible nuts, spices, vegetable ingredients and tomato products in the Japanese market
 - MCAA to **commence operations by Oct 1, 2016**

- **Changes to accounting standards**
 - Amendments to SFRS 16 (Property, Plant and Equipment) and SFRS 41 (Agriculture)
 - Early adoption of SFRS 109 (Financial Instruments)

Agenda

- Highlights – 12M 2015
- **Financial Performance**
- Key Takeaways

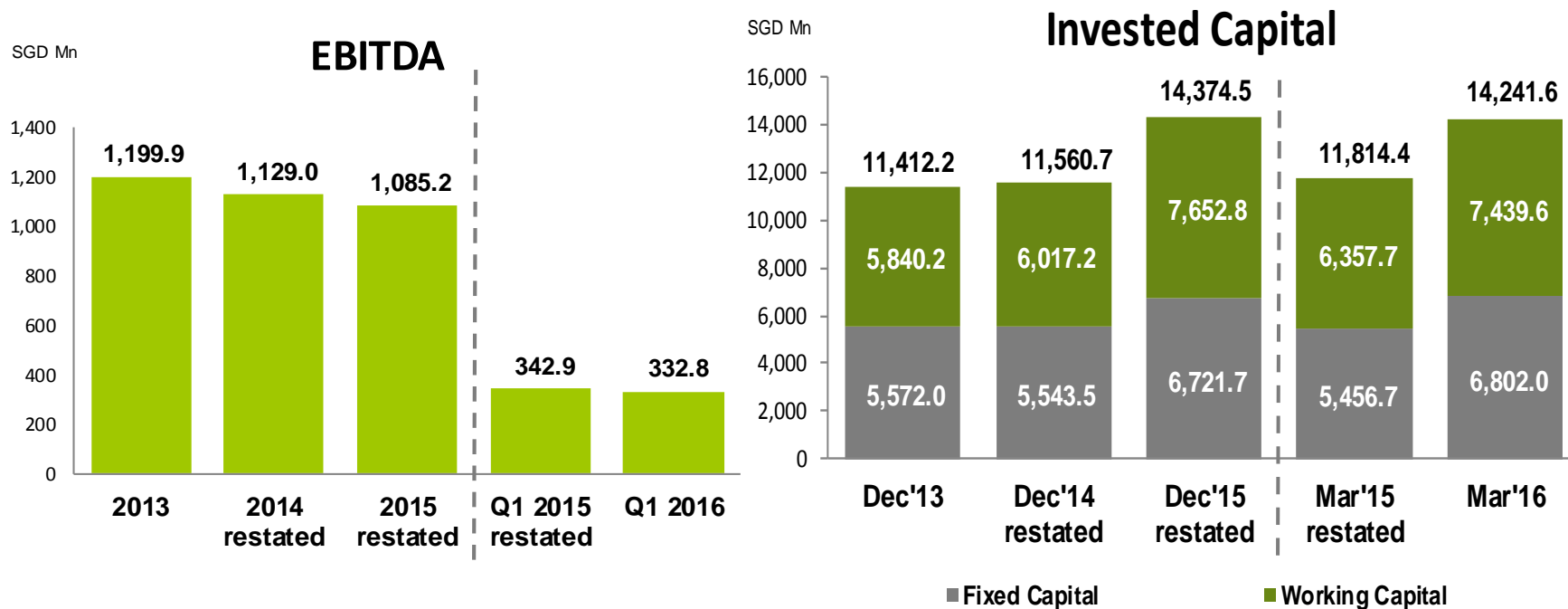
P&L Analysis

SGD Mn

| | Q1 2016 | Q1 2015 Restated | % Change |
|---|----------------|-------------------------|-----------------|
| Volume ('000 MT) | 2,965.5 | 2,682.8 | 10.5 |
| Revenue | 4,761.4 | 4,321.1 | 10.2 |
| Net loss in fair value of biological assets | (5.3) | (1.9) | 180.6 |
| EBITDA | 332.8 | 342.9 | (2.9) |
| Depreciation & Amortisation | (80.5) | (58.3) | 38.1 |
| Net Finance costs | (99.4) | (123.2) | (19.3) |
| Taxation | (31.0) | (31.5) | (1.5) |
| Exceptional items | (12.5) | (97.2) | n.m. |
| PAT | 109.4 | 32.7 | 235.0 |
| PATMI | 113.6 | 36.3 | 212.8 |
| Operational PATMI | 126.1 | 133.5 | (5.5) |

- Volume up 10.5% with growth from all segments
- EBITDA declined 2.9% with growth from Confectionery & Beverage Ingredients, Food Staples & Packaged Foods and Industrial Raw Materials segments offset by lower contribution from Edible Nuts, Spices Vegetable Ingredients and Commodity Financial Services
- Lower net finance costs and higher depreciation and amortisation
- PATMI up 212.8% on lower exceptional losses; Operational PATMI down 5.5%

EBITDA and Invested Capital



- **Fixed capital in Q1 2016 increased** due to acquisition of the Cocoa Processing and wheat milling assets
- **Working capital increased in Q1 2016** primarily due to higher inventory levels post acquisition of above assets as well as higher prices in some platforms

IC excludes

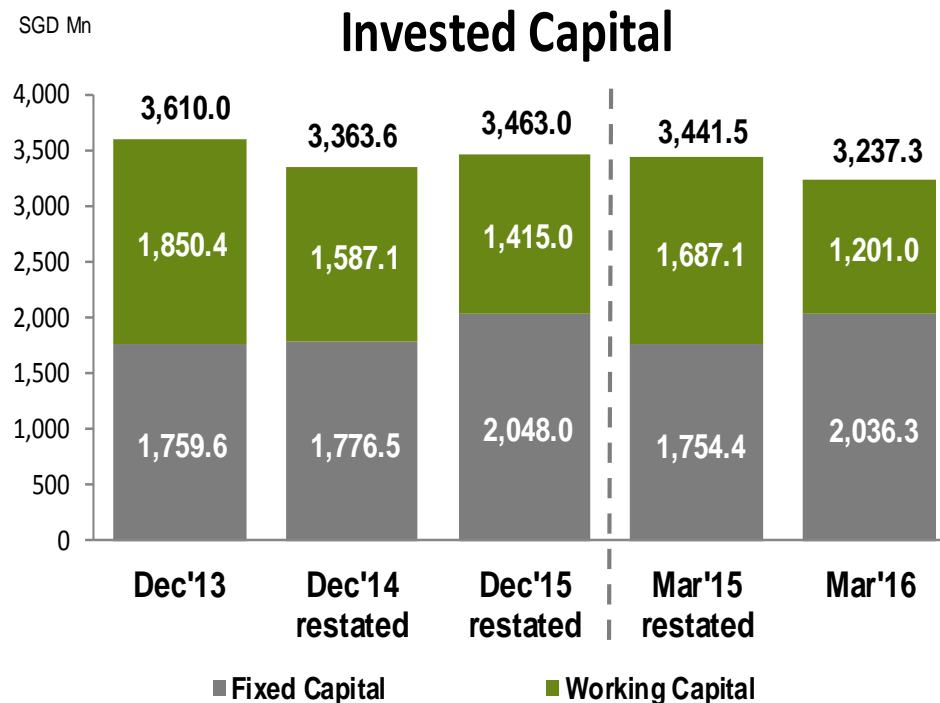
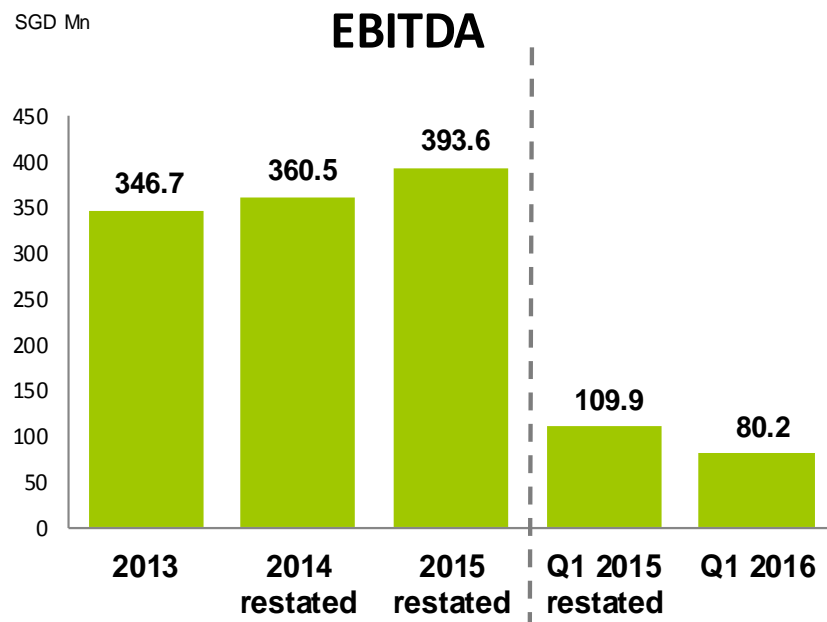
(a) Gabon Fertiliser Project (31-Mar-16: S\$211.6 million; 31-Dec-15: S\$209.8 million, 31-Mar-15: S\$173.7 million); and

(b) Long Term Investments (31-Mar-16: S\$236.4 million; 31-Dec-15: S\$269.2 million, 31-Mar-15: S\$333.9 million)



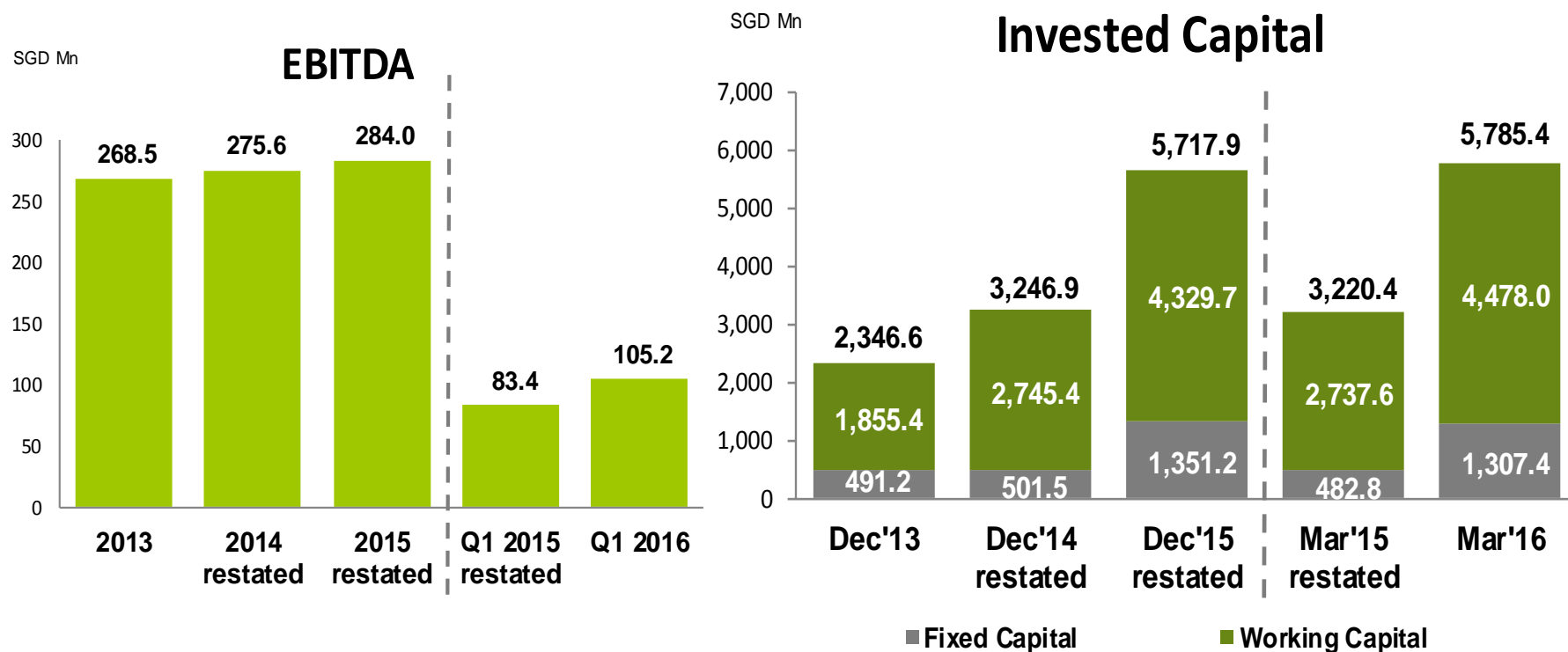
Segmental Analysis

Edible Nuts, Spices & Vegetable Ingredients



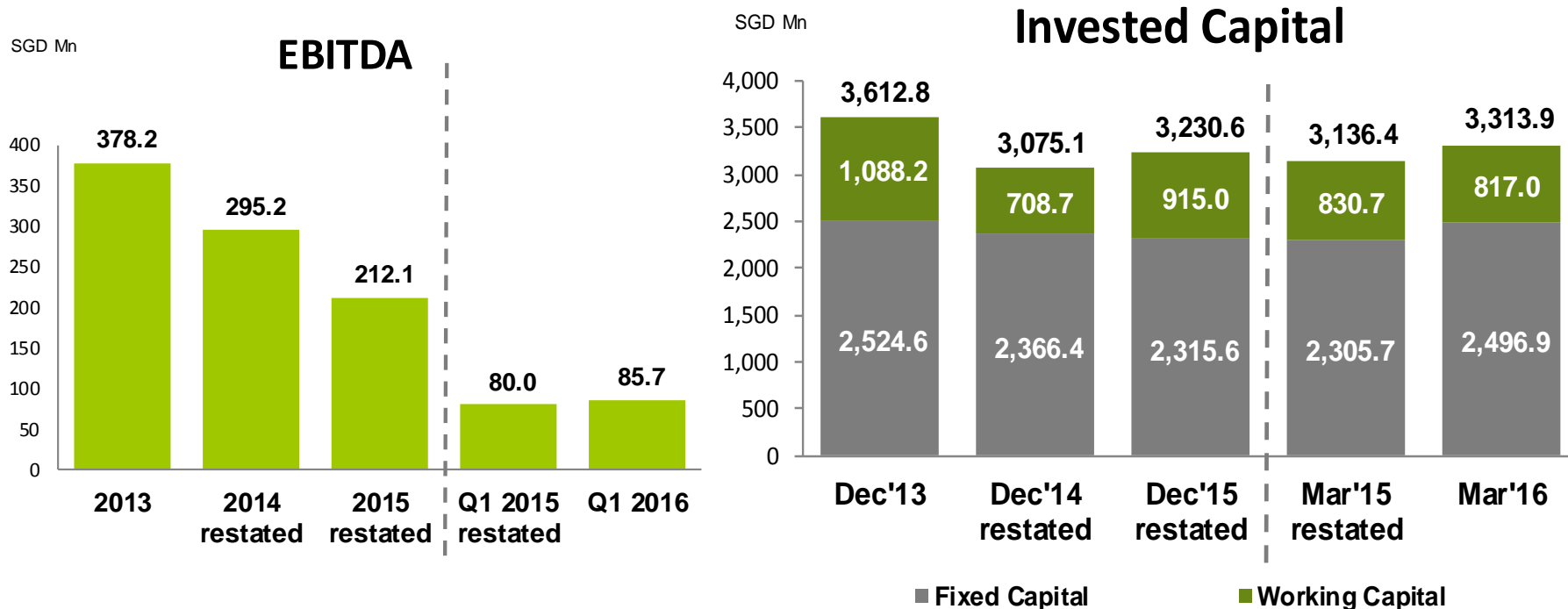
- While the **cashew, sesame, spices and vegetable ingredients businesses** performed well, the **almond business** was affected by **lower almond prices** and the **tomato processing business** experienced a **decline in market prices and margins**, causing the overall segment **EBITDA to decline by 27.0%**
- **Invested capital declined by S\$204.3 million** as compared to end-Mar 2015 as **increased fixed capital investments in almond, pistachio and walnut plantations** in the US was **offset by a reduction in working capital** due to **lower almond and hazelnut prices**

Confectionery & Beverage Ingredients



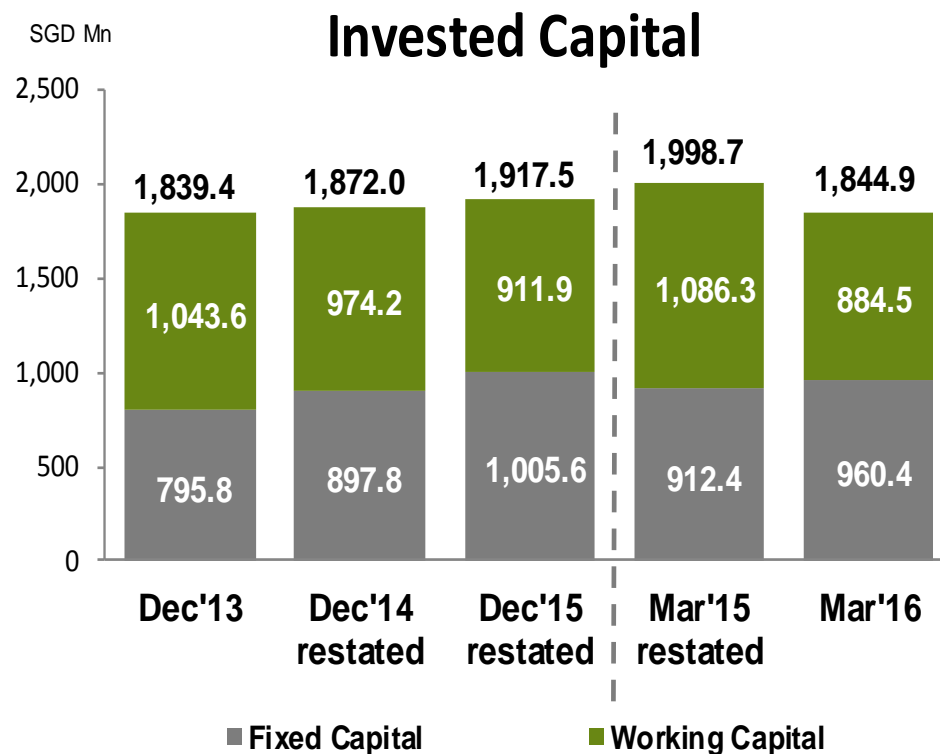
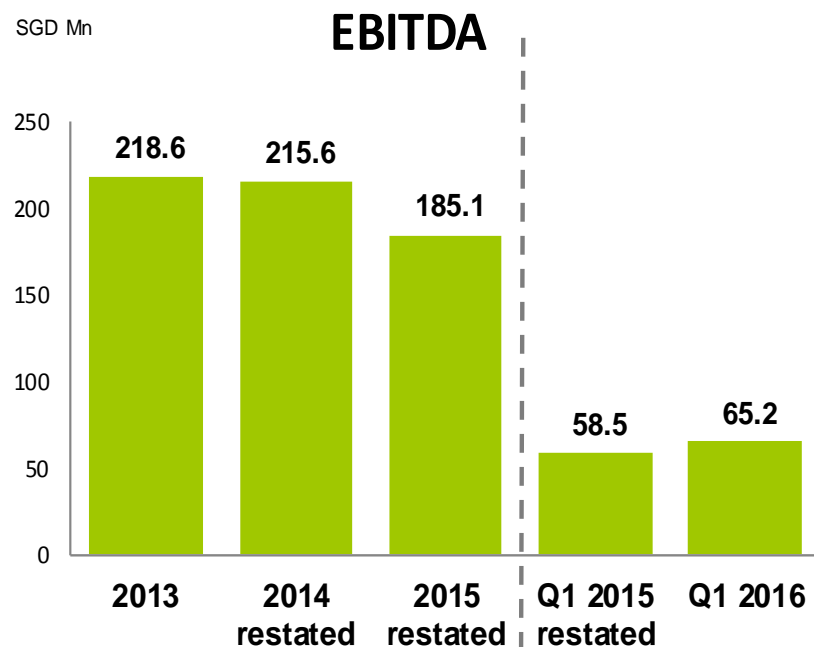
- **EBITDA** grew 26.2% driven by contribution from the **acquisition of Cocoa Processing assets** and **improved performance from Coffee**, although some of the gains was offset by a **lower contribution from the Cocoa supply chain business** which was impacted by volatile prices/margins during the quarter
- **Invested capital** in the segment **increased by S\$2,565.0 million** as compared to end-Mar 2015 mainly due to the **acquisition of Cocoa Processing assets, higher inventory levels** and **prices of Cocoa**

Food Staples & Packaged Foods



- **EBITDA grew 7.1%** with **growth from most platforms**. Dairy, Rice and Palm supply chain and wheat milling businesses grew their EBITDA, while Packaged Foods and Sugar were flat. Rusmolco in Russia did well, while dairy farming in Uruguay saw improved operational performance and lower costs, partly offset by lower milk prices
- **Invested capital increased by S\$177.5 million** as compared to end-Mar 2015 largely due to the acquisition of wheat milling assets in Nigeria

Industrial Raw Materials



- **EBITDA grew 11.5%** with Cotton and Wood Products businesses recording growth
- **Invested capital came down by S\$153.8 million** compared to end-Mar 2015 due to reduced prices in cotton, which was partly offset by continued investments in upstream Rubber plantations in Gabon



Balance Sheet and Cash Flow

Balance sheet

Optimising tenure and borrowing mix

SGD Mn

| | 31-Mar-16 | 31-Dec-15 Restated | Change vs Dec 15 | 31-Mar-15 Restated | Change vs Mar 15 |
|---------------------------|-----------------|-----------------------|---------------------|-----------------------|---------------------|
| Uses of Capital | | | | | |
| Fixed Capital | 6,680.0 | 6,674.7 | 5.3 | 5,825.6 | 854.4 |
| Working Capital | 8,397.7 | 8,317.2 | 80.5 | 6,321.5 | 2,076.2 |
| Cash | 1,600.5 | 2,143.2 | (542.7) | 1,272.6 | 327.9 |
| Others | 580.8 | 478.4 | 102.4 | 256.0 | 324.8 |
| Total | 17,259.0 | 17,613.5 | (354.5) | 13,675.7 | 3,583.3 |
| Sources of Capital | | | | | |
| Equity & Reserves | 5,275.5 | 5,187.0 | 88.5 | 4,375.1 | 900.4 |
| Non-controlling interests | 231.2 | 240.6 | (9.4) | 232.6 | (1.4) |
| Short term debt | 5,564.6 | 5,512.2 | 52.4 | 2,725.0 | 2,839.6 |
| Long term debt | 6,412.7 | 6,781.7 | (369.0) | 6,552.8 | (140.1) |
| Fair value reserve | (225.0) | (107.9) | (117.1) | (209.8) | (15.2) |
| Total | 17,259.0 | 17,613.5 | (354.5) | 13,675.7 | 3,583.3 |

- Reduction in cost of borrowing via buyback of higher cost bonds
- Issuance of new medium term notes at lower coupon
- Tapping on other sources of borrowing, eg. IFC and other DFIs, to diversify debt portfolio

Free cash flow

SGD Mn

| Cash Flow Summary | Q1 2016 | Q1 2015 | Y-o-Y | 2015 | 2014 | 2013 | 2012 |
|---|----------------|---------------|----------------|------------------|---------------|----------------|------------------|
| Operating Cash flow (before Interest & Tax) | 345.4 | 372.1 | (26.7) | 1,150.8 | 1,148.3 | 1,144.9 | 969.3 |
| Changes in Working Capital | (35.5) | (162.7) | 127.2 | (995.9) | (766.2) | (98.2) | (55.0) |
| Net interest paid | (127.8) | (177.6) | 49.8 | (478.4) | (411.5) | (485.0) | (434.6) |
| Tax paid | (21.6) | (10.2) | (11.4) | (127.8) | (65.6) | (64.3) | (44.1) |
| Cash from divestments | 6.8 | 222.5 | (215.7) | 249.8 | 468.4 | 95.6 | 90.4 |
| Free cash flow before capex/ investments | 167.3 | 244.1 | (76.8) | (201.5) | 373.4 | 593.1 | 525.9 |
| Capex/ Investments | (451.1) | (301.5) | (149.6) | (2,339.5) | (455.7) | (913.2) | (1,553.3) |
| Free cash flow to equity (FCFE) | (283.8) | (57.4) | (226.4) | (2,540.9) | (82.3) | (320.1) | (1,027.4) |

- Generated **positive cash flow** before investments of **S\$167.3 million** in Q1 2016

Gearing remains in line with 2016 objective

SGD Mn

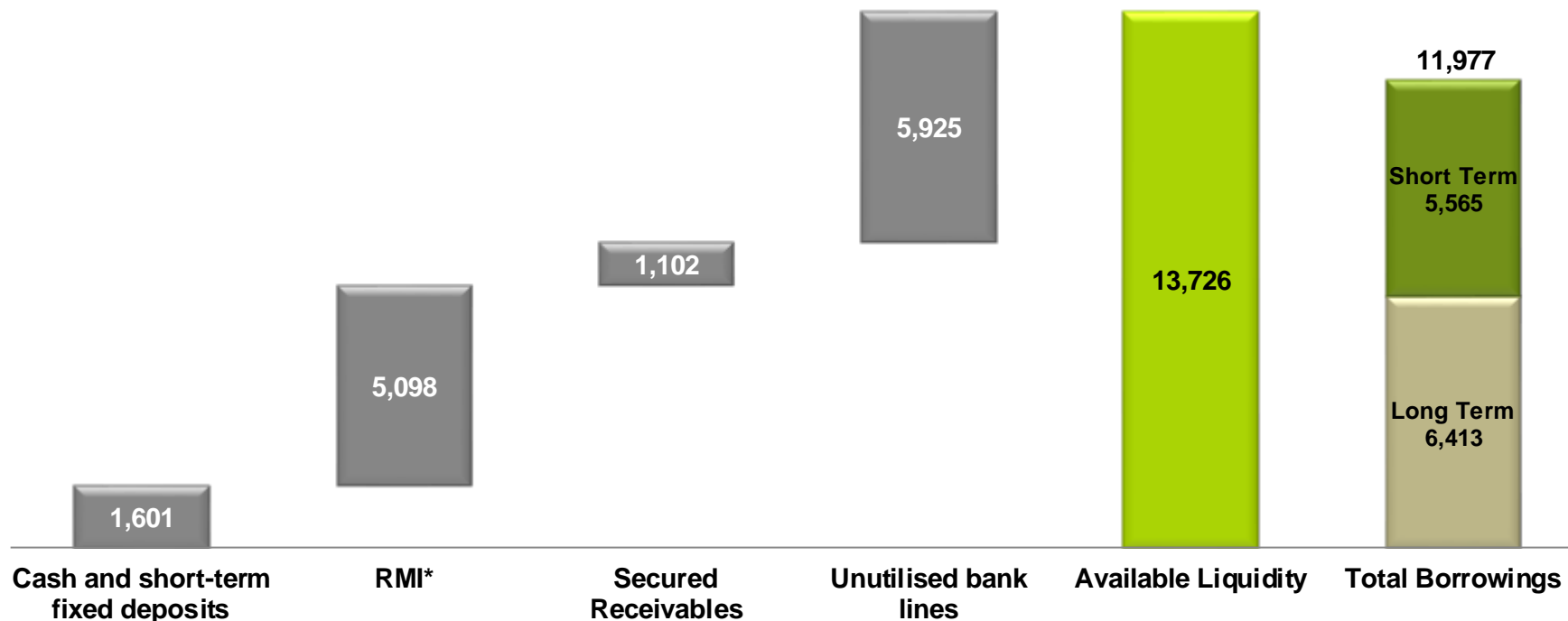
| | 31-Mar-16 | 31-Dec-15 Restated | Change vs Dec 15 | 31-Mar-15 Restated | Change vs Mar 15 |
|---------------------------------------|-------------|-----------------------|---------------------|-----------------------|---------------------|
| Gross debt | 11,977.4 | 12,293.9 | (316.5) | 9,277.8 | 2,699.6 |
| Less: Cash | 1,600.5 | 2,143.2 | (542.7) | 1,272.6 | 327.9 |
| Net debt | 10,376.9 | 10,150.7 | 226.2 | 8,005.2 | 2,371.7 |
| Less: Readily marketable inventory | 5,097.8 | 5,232.9 | (135.1) | 3,673.1 | 1,424.7 |
| Less: Secured receivables | 1,102.4 | 1,155.8 | (53.4) | 1,062.2 | 40.2 |
| Adjusted net debt | 4,176.7 | 3,762.0 | 414.7 | 3,269.9 | 906.8 |
| Equity (before FV adj reserves) | 5,275.5 | 5,187.0 | 88.5 | 4,375.1 | 900.4 |
| Net debt / Equity (Basic) | 1.97 | 1.96 | 0.01 | 1.83 | 0.14 |
| Net debt / Equity (Adjusted) | 0.79 | 0.73 | 0.06 | 0.75 | 0.04 |

*RMI: inventories that are liquid, hedged and/or sold forward

- **Net gearing of 1.97 times** at Mar 31, 2016 was **higher than 1.83 times** as at Mar 31, 2015 due to the acquisition of Cocoa Processing and wheat milling assets
- Gearing level remains **in line with our 2016 objective** of at or below **2.0 times**

Liquidity position

S\$ Mn as at Mar 31, 2016



*RMI: inventories that are liquid, hedged and/or sold forward

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- Continue to **optimise debt tenure and cost** and **rebalance borrowing mix of long and short term debt** to match fixed and working capital needs

Agenda

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- Financial Performance
- **Key Takeaways**

Key takeaways

- **Consistent operating performance** despite challenging market conditions on account of our **diversified portfolio**
- Continue to selectively **invest in prioritised platforms**
- **Strong balance sheet** and **liquidity** position to support growth plans
- **Ongoing debt optimisation efforts** have helped reduce overall borrowing costs
- Continue to pursue strategic initiatives to **unlock value and release cash**
- Remain **on track to achieve our strategic plan objectives** of **profitable growth** and **free cash flow generation**

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Q1 2016 Results Presentation

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