

Issuer Profile: Olam International Ltd (“Olam”)

Neutral (5)

Ticker:

OLAMSP

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Recent Issue

- Olam has **priced SGD250mn of SGD perpetual NC5.5Y at 5.375%, tightening 12.5bps from IPG at the 5.5% area**. The perpetuals are unsecured and subordinated.
- Proceeds will be used for debt refinancing and/or other purposes as allowed under its EMTN programme.
- Distribution deferral is at issuer’s discretion, subject to dividend stopper and dividend pusher with a three-month lookback period. Deferred distributions are cumulative and compounding. Per Bloomberg data, Olam’s last dividend omission was in February 2011 with the company paying dividends at least once a year since November 2011.
- Reset date coincides with first call date on 18 July 2026. Distribution rate will be reset at the then prevailing 5Y SOR +6.807%, if not called at first call (ie: a 200bps step up). The documentation provides for fallback language in relation to benchmark discontinuation and replacement.

Recommendation

- The new OLAMSP 5.375%-PERP is currently trading below par at 99.26, implying a yield to call at 5.52% and we are Overweight this perpetual. With secondary trading for perpetuals overall softer, we revise **fair value to ~5.2-5.4% YTC**.
- In our view, there are no direct peers within the SGD bond market that operate in the same industry as Olam, though we compare the issuer to other issuers who we similarly hold at a Neutral (5) issuer profile whom we like as “crossover” names. We prefer picking up yield in the “crossover” space in this environment without the need to stretch duration.

Relative Value:

Bond / Perpetual	Maturity / Call date	Issuer Profile	Ask YTC/YTW	Spread	Recommendation
OLAMSP 5.375%-PERP	18/07/2026	Neutral (5)	5.54%	496bps	OW
OLAMSP 5.5%-PERP	11/07/2022	Neutral (5)	4.79%	459bps	OW
OLAMSP 4.0% '26s	24/02/2026	Neutral (5)	4.01%	348bps	OW
OLAMSP 4.375% '23s-USD bond	09/01/2023	Neutral (5)	2.93%-SGD implied terms	264bps	NA
FPLSP 4.25% '26s	21/04/2026	Neutral (5)	3.17%	262bps	N*
GUOLSP 3.4% '25s	10/08/2025	Neutral (5)	2.93%	246bps	OW*

Indicative prices as at 14 January 2021 Source: Bloomberg

*Based on latest recommendation as of [Monthly Credit View 11 January 2021](#)

Background

- Listed on the SGX with a market cap of SGD5.0bn as at 14 January 2021, although the company’s free float adjusted market cap was ~SGD869mn.
- Temasek is the largest shareholder with a ~53.4%- stake, followed by Mitsubishi Corp with ~17.4%. Kelwaram Chanrai Group (a co-founder of Olam) retains a 7%-stake. Orbis Asset Management, a privately-owned asset manager has been a long-time investor in Olam holding a ~6%-stake while Olam International Limited (“Olam”)’s Group CEO/Co-founder and CEO of Olam Food Ingredients (“OFI”) collectively holds ~5%.
- Olam is a diversified, vertically-integrated agri-commodities merchandiser, producer and trader. It also generates income from the sale of packaged food products, commodity financial services and holding minority stakes in longer term investments.
- Please refer to the [New Issue View dated 11 January 2021](#) for more information.

Explanation of Issuer Profile Rating / Issuer Profile Score

Positive (“Pos”) – The issuer’s credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

Neutral (“N”) – The issuer’s credit profile is fair on an absolute basis, or expected to improve / deteriorate to a fair level over the next six months.

Negative (“Neg”) – The issuer’s credit profile is either weaker or highly geared on an absolute basis, or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7 point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Please note that Bond Recommendations are dependent on a bond’s price, underlying risk free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

Explanation of Bond Recommendation

Overweight (“OW”) – The bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Neutral (“N”) – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Underweight (“UW”) – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed.

Withdrawal (“WD”) – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

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