

Issuer Profile: Oxley Holdings Ltd (“OHL”)

Negative (6)



Neutral (6)

Ticker:

OHLSP

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Background of tender offer and re-opening of the 6.9% '24s

- OHL announced a tender offer to (1) Repurchase its outstanding SGD150mn OHLSP 5.7% '22s and (2) Reopen the issue of its existing SGD70mn OHLSP 6.9% '24s, as mentioned in our [Asian Credit Daily on 8 Sep 2021](#).
- The amount repurchased will be limited to the amount raised by the new issue. Priority will be given to noteholders who subscribe for the new issue.
- A purpose of the exercise is to reduce the short-term indebtedness. OHL has SGD537mn and SGD1.78bn of debt maturing in FY2022 and FY2023 respectively as at 30 Jun 2021.
- Options available to bondholders include (A) Ignoring the tender offer, (B) Accepting the tender offer without subscribing for the new issue and (C) Accepting the tender offer and subscribing to the new issue. We are not compelled by the tender offer, though the choice depends on the circumstance and comfort level in OHL by the individual bondholder.

Option A: Ignore the tender offer

- We think noteholders may ignore the tender to enjoy the yield from holding to maturity. There are few alternatives in the SGD market which pay a similar yield for a short maturity.
- We see no significant upside from tendering at par plus accrued as this is not significantly different from the trading price of the bond, which is around par.
- If the amount of subscription to the new issue is significant, the debt maturity profile of OHL should improve, which is positive for existing holders of OHLSP '22s.

Option B: Accept the tender without subscribing for the new issue

- This option may appeal to bondholders who prefer to exit from OHLSP '22s completely.
- However, bondholders should consider if there are options for reinvestment.
- It remains to be seen if the reopening of the new issue will attract significant subscription. Given that the initial issuance of OHLSP 6.9% '24s in late Jun 2021 raised only SGD70mn, and priority will be given to noteholders who subscribe for the new issue, we think it is unlikely that noteholders who tender without subscribing for the new issue will be given allocation.

Option C: Accept the tender and subscribe for the new issue

- This option is akin to extending the maturity of OHLSP 5.7% '22s by ~2.4Y for 120bps pickup by switching into OHLSP 6.9% '24s (from 5.7% coupon to 6.9% coupon). Bondholders should consider if this pickup is sufficient.
- Effectively, holders of OHLSP 5.7% '22s who switch into OHLSP 6.9% '24s will give up their turn to be repaid first (amongst SGD537mn debt maturing in FY2022) and will be paid amongst the last in FY2024 (after SGD1.78bn debt maturing in FY2023).
- We think the completion of projects through 2022-23 should cover the maturing debt, though this will be contingent on the continued resumption of construction work (which has faced delays due to restrictions as a result of the pandemic).
- Given that the business profile of OHL has been highly dynamic, post the completion of the majority of its projects in 2023, it remains to be seen if OHL will look to replenish landbank in Singapore or abroad.

Relative Value:

Issue	Issuer Profile	Maturity / Call date	Ask Yield	Spread	Recommendation
OHLSP 5.7% '22s	Negative (6)	31/01/2022	4.75%	455bps	Neutral
OHLSP 6.5% '23s	Negative (6)	28/02/2023	6.40%	604bps	Overweight
OHLSP 6.9% '24s	Negative (6)	08/07/2024	6.85%	616bps	Neutral

Indicative prices as at 15 September 2021 Source: Bloomberg

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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Analyst Declaration

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