Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Olam Group Limited

Stock code: VC2

Meeting details:
Date: 25 April 2022
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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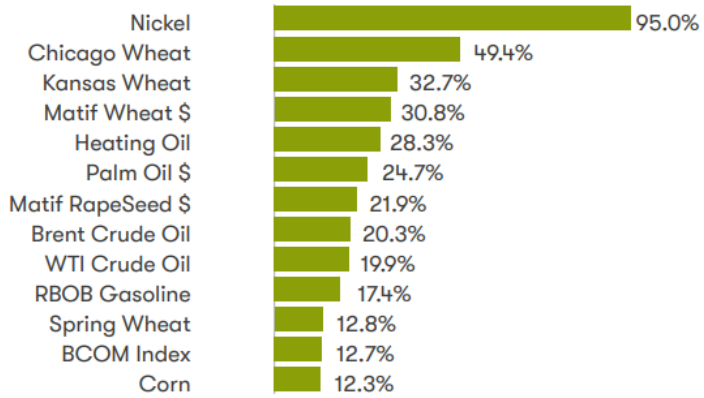
Q1. In his review, the Group CEO highlighted that the group reported the strongest operational profit after tax and minority interest ("PATMI") since the group's founding. This was achieved despite the continued impact from COVID-19 and the adverse macro-economic and geopolitical environment.

As a global player in the food and agri-supply chain, the group is increasingly exposed to accelerating deglobalisation trends, rising geopolitical tensions and the war between Russia and Ukraine.

The war is expected to have a significant impact on global food prices as more than 400 million people around the world are estimated to be food-dependent on exports from Russia and Ukraine. As the Group CEO pointed out, the war has already led to immediate and sharp rises in both the broader commodity complex and food prices. Ukraine and Russia are significant producers and exporters of key food and feed staples including corn (20% of world trade), wheat (30%), barley (30%), sunflower oil (80%), rapeseed (20%), lumber (50%), fertilisers including Belarus (ammonia (20%), urea (25%), phosphates (15%) and potash (30%).

The company has also included a chart of the commodity price increase from 22 February 202[2] to 8 March 202[2] on page 11. The most affected commodities include nickel, wheat, heating oil, palm oil and corn (see extract below).

Commodity Price increases from 22 February 2021 to 8 March 2021



(Source: company annual report; full list on page 11)

(i) **With more than a month since the start of the war, can management provide shareholders with an update on the group's operations?**

(ii) **If the planting cycle is disrupted (as expected), what are the repercussions to global commodity prices in the next 1-2 years? How is the group positioning itself to minimise any potential supply-chain disruption?**

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(iii) **In addition, how is the group responding to the volatility in the prices of commodities? Are higher prices and volatility generally beneficial to the group?**

It has also been widely reported in the media that commodities/energy firms are faced with large margin requirements as prices spiked. This has led to severe stress in the system affecting even some of the global players.

(iv) **Is the group faced with a similar issue of needing significantly more working capital?**

(v) **In addition, has management adjusted to the stress in the sector and be more selective in granting credit, especially to counterparties who may be weakened by the recent developments?**

Q2. On 24 March 2022, the company (as Olam Group) posted a general announcement with the title stating that ofi appointed additional board members. The announcement by ofi, and posted on SGXNet by the company, also included a significant update:

> *ofi intends to seek a primary listing on the premium segment of the London Stock Exchange, and a concurrent secondary listing in Singapore. However, in light of current market conditions as a result of the ongoing conflict in Ukraine,* ***we do not currently expect the IPO of ofi to take place during Q2 2022, as previously anticipated*** *[emphasis added]. We remain committed to pursuing a public listing of the business and will evaluate the appropriate timing of such a listing on an ongoing basis, taking into account prevailing market conditions.*

(i) **Did the company and the board consider providing shareholders and investors a clear and concise update on the listing plans of ofi as part of its disclosure obligations on the SGX?**

(ii) **For future updates on the IPO of ofi, would the board be making clear and explicit announcements, with the appropriate titles, to update shareholders on the latest development?**

Following the March 24 announcement by ofi, the company announced, a day later on 25 March 2022, that it had entered into a strategic partnership with Saudi Agricultural and Livestock Investment Company ("SALIC") for the latter to invest US$1.24 billion for an estimated 35.4% stake in Olam Agri.

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(Source: https://finance.yahoo.com/quote/VC2.SI/; https://www.sgx.com/securities/company-announcements?pagesize=20&value=OLAM%20GROUP%20LIMITED&type=company)

This has been a key step of the group's re-organisation plan although there has been no indication that a sale/tie-up was imminent. The focus has been the IPO of ofi which was just delayed a day ago.

The market' reaction can be seen from the chart above. On 24 March 2022, the company and its directors would most likely be aware that the sale of Olam Agri was in advanced stages.

(iii) **Did the company/board consider it prudent to request for a trading halt to the company's shares on from 24 March and only to resume trading of the company's shares after the announcement of both material development?**

The $4.7 billion equity value of Olam Agri is equivalent to 69% of the market capitalisation of Olam Group. Management believes the sale of Olam Agri illuminates and unlocks the value for OGL.

(iv) **Can management elaborate further on the sale process? How was SALIC selected? Was there an auction process where strategic buyers were invited to bid for Olam Agri?**

(v) **Would the board be considering a special dividend for shareholders as the group successfully concludes another key step in its strategic re-organisation?**

(vi) **As for the IPO of ofi on the London Stock Exchange, does the board now have better visibility of the timing of the spin-off and demerger? What are the factors being considered by the board?**

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Q3. With the partial sale of Olam Agri for US$1.24 billion, the group will realise net capital gains of S$1.19 billion which accrete to the equity reserves. The pro forma net gearing will be reduced from 1.72 times to 1.28 times, assuming the transaction was completed on 31 December 2021.

As shown in the CFO's review (page 22), the group's net debt increased from $11.0 billion to $12.4 billion, consisting of $6.9 billion of short-term debt (gross) and $8.8 billion of long-term debt (gross), as well as short-term and long-term lease liabilities of $138.0 million and $839.8 million respectively.

Cash amounted to $4.3 billion as at 31 December 2021.

(i) **Going forward, for Olam Group (without ofi), what is the optimal leverage to support its business and the growth opportunities? If and when ofi is spun off and demerged, what would be the pro forma leverage of the company?**

(ii) **Similarly, for the IPO of ofi, what is the targeted range of leverage that would allow ofi to fetch a good valuation and have sufficient working capital to support its growth?**

(iii) **With the proposed sale of 35.4% Olam Agri, how will future cash flow from Olam Agri to the holding company be affected? Will Olam Agri be restricted in declaring and paying dividends to the holding company?**

(iv) **How cash generative are the remaining business of Olam group (comprising Olam Ventures, Olam Technology and Business Services and Olam Global Holdco)?**

(v) **Can management provide shareholders an update on the developments in Gabon?** In the previous financial year, an impairment of $(483.9) million was recognised for the group's investment in OPG.

(vi) Terrascope is a digital platform to enable companies to measure, monitor, manage and verify the impact of their climate action strategies (page 54). **What is the potential of Terrascope to be scaled up outside of the group?**

(vii) In recent years, the company has paid total dividends of between 7.5 cents and 8.5 cents per share per year. **Going forward, would the company's ability to maintain its dividends be affected by the corporate actions? Would the board be in a position to establish a dividend policy following the re-organisation?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)