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SG Weekly (19 August 2021 - 25 August 2021)

Market Moves

Central bankers will meet for an annual Jackson Hole symposium this week, where the market expects Fed's Chairman Powell to reveal details about how and when the bank plans to begin winding down its bond-buying program. We think the chance of a taper announcement is slim, given that Chair Powell has said that the Fed will give advance notice before the taper. The bigger question is not when the taper will begin (we believe in late 2021), but the pace that it will be carried out. A hike in interest rates will affect loan affordability in Asia. Asian economies that have yet to recover from the pandemic could be hard hit by higher borrowing costs for US\$ debts, and weaker Asian currencies if local interest rates could not catch up. On the other hand, a stronger US\$ is good for Asian exports.

Reuters reported that the US authorities have granted multiple US semiconductor makers licences to supply chips to Huawei for car components such as video screens and sensors. Huawei was placed on the restricted list since 2019 by the Trump administration, preventing all US chip makers and all equipment makers that employ US technologies in their products to supply to Huawei without special licence. As a result, Huawei dropped out from the top 5 global smart phone brands, and has shifted focus into smart cars. If the report is true, we think this is a significant step towards a positive shift in US policy towards Chinese companies, and will lift the outlook of the tech sector.

Analysts' Notes

Hyphens Pharma: 1H revenue climbed 6.1% to S\$65.4m, led by specialty pharma principals which grew 10.9% yoy from S\$31.4m to S\$34.8m. Proprietary brands (+2.4%) with higher demand for Ceradan products and medical hypermart & digital (+0.4%) saw slight uptick. Gross margin rose 3.7ppt to 37.9% in 1H21, with higher margins from the specialty pharma segment. Net profit rose 0.8% yoy to S\$4.3m. If government grants were excluded from both periods, net profit grew 22.7% from S\$3.4m to S\$4.2m. We continue to see positives which are new product innovation and contribution from more markets. Higher margins in 1H on their highest revenue, specialty pharma segment, will lift FY21E bottomline. We are cautious of the situation at Vietnam and Malaysia, both of which are still having movement control restrictions. BUY. TP S\$0.370. ([Link](#)) (*Lim Li Jun Tracy*)

PropNex reported that its 1H revenue doubled from S\$240.4m to S\$481.1m in 1HFY21, with all segments seeing growth. Private resale took lead with 2.5x yoy jump to S\$108.7m from S\$44.2m, and project marketing clocking highest value jump to S\$225.1m from S\$109.4m (2.1x). PATMI increased 2.1x to S\$31.3m. Total 1H dividend payout was 5.5cents per share or 64.9% of 1H PATMI. We expect property transactions and prices will continue to rise in 2H. We also like its strong cash position. We are, however, wary of property cooling measures given the soar in HDB

the financial division that extends collateralised credit to Chinese corporates and state-owned companies. This division generated interest income of RMB903.9m in 1H21 on average loan book of RMB18.7bn, or an annualized return of ~9.7%. After credit provisions of ~10%, net outstanding loan as at 30 Jun 2021 was RMB16.6m (S\$3.5bn). Its core shipbuilding business is also enjoying record order intake (orderbook US\$8.7bn). The share price is still below book value of S\$1.81.

SembMarine has secured shareholders' approval for a S\$1.5bn rights issue. The renounceable 3:2 rights issue at S\$0.08/sh is fully underwritten by Temasek (up to 67%) and DBS (up to 33%). The funds will lower gearing to 0.25x (from 0.75x) and raise NTA to S\$4.9bn. SembMarine has a current orderbook of S\$1.89bn. The rights issue will be followed by the potential combination of SembMarine with Keppel O&M. How this will turn out would have an impact on the local O&M sector that support the two.

Macro Views

Singapore's July manufacturing output growth (+16.3% yoy, -2.6% mom) eased from June's +27.9% as the base effect faded. However, total output were 8.0% higher than July 2019. Biomedical (+86.6% yoy; +40.7% vs Jul 2019) led the pack with higher output for drugs and medical devices. Precision engineering output (+20.3% yoy, +34.0% vs Jul 2019) and total electronics segment (+1.6% yoy, +2.3% vs Jul 2019) were the other sectors that posted positive growth over same period in 2019.

Singapore's core inflation gauge jumped to 1.0% in July (from 0.6%), a 2-year high. Headline inflation inched up slightly to 2.5% (from 2.4%). Electricity and gas led the increase (+9.9% yoy), followed by services (+1.3%) and food (+1.1%). Retail and other goods decreased

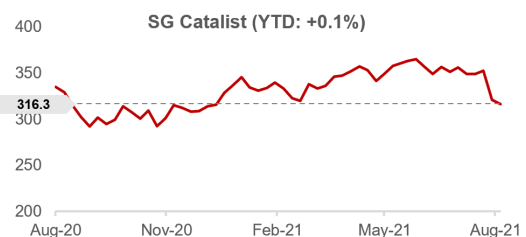
Company News

Shanaya Limited (BBG: SHANAYA) began trading on the SGX Catalist board on 19 August following its reverse takeover of CPH Ltd. Shanaya is an established waste management and disposal service provider, specialised in managing and recycling waste from the shipping and cruise industries as well as general waste, toxic industrial waste and pyrotechnics. It has two waste management facilities namely Kian Teck Facility and Tuas Facility with a combined daily waste handling capacity of 250 tonnes and storage capacity of 550 tonnes. Its Tuas Facility is conveniently located near Tuas Mega Port which holds 5 container terminals making it easier to service large volume of waste coming from the ships. Shanaya is pivoting towards a Circular Economy which promotes resource sustainability through reusing of resources, in line

accommodation increased as well (+1.4%).

IX Biopharma Ltd (BBG: IXBIO) grew revenue by 77% jump in FY2021 to S\$1.7m, boosted by strong demand for its nutraceutical products under Entity Health brand name as well as Waferix-based product development services from pharmaceutical companies in China. Revenue contribution from China in 2021 gained 182% to S\$0.9m which represented 53% of the Group's total revenue. Correspondingly, gross loss narrowed to S\$0.4m while net loss decreased to S\$8.2m, down 35% and 22% yoy respectively. The Group is expanding into countries such as Australia, Brazil, New Zealand, US and UK through the distribution of Xativa, its developed medicinal cannabis product.

Union Gas Holdings Limited (BBG: UNION) entered into a sales and purchase agreement to acquire Sembas (Asia) Trading Pte Ltd, Sengas Supply Pte Ltd and Summit Gas Systems Pte Ltd from Union Energy Corporation. Acquisition of the companies will allow the Group to expand upstream into the bottling and storage of LPG business and thus increases its current base of commercial and industrial customers. This also brings economics of scale which helps the Group to reduce operational costs and maintain its cost competitiveness in the long run. The proposed acquisition is for a consideration of S\$75m and will include the purchase of assets and support infrastructure. UNION will also own 2 out of 4 bottling licenses and plants in Singapore.



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