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SG Weekly (16 September 2021 - 22 September 2021)

Market Moves

As Evergrande's default looms large and casts a heavy pall over global markets, we see two possibilities: a restructuring or a liquidation. Restructuring is a more likely outcome, with the State's involvement, targeted to support Chinese homebuyers, investors in wealth management products and the banks. A positive sign is Evergrande's commitment to pay US\$35.8m coupon today.

The SGX-listed lenders to PRC real estate companies are Yangzijiang and First Sponsor. Yangzijiang has set aside 10% provisions for debt investment of RMB18.5bn (35% of total assets). The coverage ratio ranges from 1.0x to 3.5x. First Sponsor extended RMB3.38bn financing loans to PRC property owners, on average loan-to-value of 45%. We think the risk is well contained.

We expect residential property sales to be affected. Property companies will face higher borrowing costs. However, this is likely already priced in, given that Yanlord is trading at P/B of 0.3x. In terms of loan book exposure, China accounts for 31%, 26% and 16% of DBS, OCBC and UOB respectively. However, real estate-related loans are relatively low and asset quality is manageable. None of the Singapore banks have exposure to Evergrande. China-linked stocks might face revenue headwind if consumer sentiment weakens.

The Singapore Government and Temasek will establish S\$1.5bn fund to support high-growth enterprises in capital raising leading to a SGX listing. EBD Investments will establish a new

Analysts' Notes

Roxy-Pacific Holdings announced a privatization offer at S\$0.485/share from TKL & Family, a consortium formed by 11 individuals, including the chairman and chief executive of Roxy-Pacific, Mr Teo Hong Lim. The offer price is at a 33.4% discount to adjusted net asset value of S\$0.7287/share (as at 30 Jun 21). The last time its share price reached S\$0.485 was in June 2018. Roxy-Pacific's unbooked contracted sales was S\$564.4m as at 30 Jun 21, and it has 2 properties under development with a forecasted gross development value of S\$224.1m. We noted that other Singapore-listed property developers are trading at a significant discount to their adjusted net asset values, ranging from discount rates of 15.0% to 73.6%. ([Link](#)) (*Lim Li Jun Tracy*)

ST Group's chain of 121 F&B outlets and franchise revenue in Australia and New Zealand might rebound sharply when the lockdown is lifted in October. A further 16 sub-franchise outlets are planned for Q4 to ride on the upturn. On the cost front, rentals in Australia are 20-25% lower post COVID. ST posted FYJun21 EBITDA grew 27% to A\$9.8m and 22% EBITDA margin, on the back of renowned brands such as Gongcha, Hokkaido Baked Cheese Tart, Nene Chicken, Ippudo and a sub-franchised model. It trades at FY21 EV/EBITDA of 1.6x, P/OCF 2.3x and P/B 1.2x. (*Peggy Mak*)

enhanced the scheme to co-fund listings costs and enrich equity research coverage. The S\$1.5bn fund from Temasek and the government will help to raise the game for SGX to compete with Indonesia for start-ups looking for funds and partners to grow.

Sep 27 is the deadline for US leadership to vote on the US\$1.2tn bipartisan bill and US\$3.5tn budget package. Q4 GDP growth could be impacted by US' slow fiscal policy progress that could delay increases in government spending. We think this might also affect job growth in Q4.

Macro Views

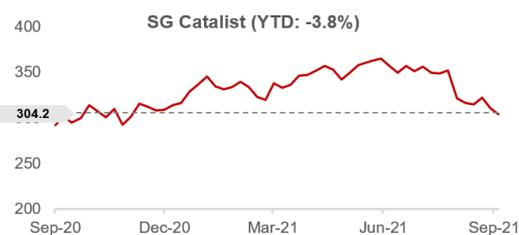
Singapore Aug CPI rose 2.4% yoy (Jul: 2.5%) as higher food costs (+1.5%), transport (+8.3%) and housing and utilities (+2.2%) gained more than July. Clothing and footwear (-6.2%) and communication (-2.2%) fell more as footfall at malls fell with more virus cases reported. We don't expect much improvement in September as more stay at home with daily virus case counts above 1,000. Transport cost increase due to lower number of COEs. Food prices have been on the rise since Mar 20, made worse by the extreme weather.

Company News

Hatten Land Limited (BBG: VGOE) has signed a MOU with Singapore Myanmar Investco Limited (SMI) to jointly explore business opportunities in cryptocurrency mining activities. The Group plans to install up to 2000 crypto mining machines within its assets in Malaysia. The machines will be supplied by SMI while HTPL provides technological know-hows on green crypto mining facility management. Crypto-mining activities will be powered by solar energy through solar panels installed on the rooftops, thus, making the operations more energy-efficient.

Separately, it has also signed an agreement with Nestcon Sustainable Solutions Sdn Bhd to explore opportunities relating to photovoltaic plants and facilities (SPPF) in Malaysia. The agreement covers supply, installation and management of SPPFs in Malaysia and within assets owned by the Group. Solar power generated from this initiative will go to support the crypto mining activities mentioned earlier. Further plans include utilising the Group's current and future land reserve in Malaysia to build large-scale solar photovoltaic facilities capable of generating up to 100 MWp. The agreement will help the Group to lower electricity costs for its malls and contribute to sustainability aspect of its operations.

Ltd to acquire 60% equity interest in Blufu Water (Xinmin) Co Ltd (BWCL) for S\$0.5m. BWCL is incorporated in China and manages wastewater treatment plants owned by the government. The agreement provides opportunities for the Group to tap into BWCL's customer base and expand into Chinese wastewater treatment market. This will further augment its service offerings in addition to its current e-waste management solutions.



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