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SG Weekly (20 Mar - 24 Mar 2023)

Global Market Movements:

INDEX	LAST PRICE	YTD	MTD
DOW JONES INDUS. AVG	32394.25	-2.3%	-0.8%
S&P 500 INDEX	3971.27	3.4%	0.0%
NASDAQ COMPOSITE	11716.08	11.9%	2.3%
Euro Stoxx 50 Pr	4201.18	10.8%	-0.9%
NIKKEI 225	27883.78	6.9%	1.6%
HANG SENG INDEX	20207.07	2.1%	2.1%
Straits Times Index STI	3262.29	0.3%	0.0%

(Source: Bloomberg, SAC Capital)

STI Movements:

(Source: SGX, SAC Capital)

Global News Highlights:

1. China's Economic Recovery faces risks from Global Trade slump
2. Global IPO market revival undermined by banking, recession risks (The Edge)
3. Fed Hike by 25 basis points
4. Hong Kong Family Offices to get Tax Concessions in Revamp
5. Binance, CEO sued by US Derivatives Watchdog for Rule Violations

Singapore Company Announcements:

1. Sembcorp Industries and ComfortDelGro in share buybacks (The Edge)
2. Boustead Projects must restore free float, or make 'fair and reasonable' exit offer (BT News)
3. Tung Lok and Safra to jointly manage café (BT News)
4. Seroja Investments to receive delisting notice by March 24 (BT News)
5. Singapore consumer watchdog, regulator have not received complaints of greenwashing (ST Times)

Company Visit Notes:

<JCG Beverly> In November 2019, the Group acquired a 51% ownership of the Beverly Wilshire Medical Centre Group of Companies ("BW"), which is a wellness and cosmetic brand. Previously in the steel trading industry, now their healthcare segment accounts for about 96% of total revenue with about half coming from cosmetic treatment.

Although the Group is still loss-making, the BW business is profitable at S\$0.6m. We can expect a significant amount of tax shield as the Group was loss-making for several years. The management is focused on achieving profitability through internal growth and the acquisition of only profitable clinics.

Research Highlights:

<MegaChem FY22 results> 2H22 gross profit stood at S\$15.8m, down 10.9% yoy due to the higher costs of raw materials as inflation hiked. Gross profit margin was 23.0%, down 130 bps yoy. Net profit was S\$1.6m, down 61.8% yoy on the back of higher warehouse storage charges, interest rate and stronger US dollar. Net profit margin was 2.3%, down 350 bps yoy. The bottom-line for FY22 observed better results, propped up in 1H22. Gross and net profit margins were down 70 and 160 bps yoy respectively.

<KTMG Ltd> FY22 Revenue rose 8.6% to S\$106.3m driven by a boost in orders made by customers located in the UK and Canada, offset by lower orders from US and EU. Gross margin increased by 1.3pp to 15.2% due to lower labour and factory costs from the economics of scale. Net profit surged by 64.4% to S\$3.5m on the back of reduced sales commission and declined shipping costs, offset by the depreciation of MYR against USD of S\$1.2m and an increase in travel expenses. More finished goods due to easing supply chain problems and higher deliveries resulted in inventories declining by S\$10.2m to S\$11.4m which is back to pre-pandemic levels and higher cash collection as seen in improved operating cash flow.

The management is cautiously optimistic as the global macroeconomic environment might further dampen demand. Various measures to enhance operations efficiency include streamlining production lines from moving its Malaysia factory to Cambodia and creating novel high-quality goods to increase international clients. KTMG are looking for partnerships in Vietnam to expand its apparel business.

The Group is trading at a PE and PB of 9.2x and 1.41x respectively.

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