This is SAC weekly newsletter for 1 Jun 2022. Thank you for reading.

Analysts' Notes

Hyphens Pharma | Garnered S$6m fund infusion to grow its digital healthtech assets held under DocMed. These comprise POM - a B2B platform for medical professionals, Wellaway - a B2C platform for order fulfilment direct to patients, and DocCentral - tools built for medical professionals to collaborate, coordinate patient care and other networking tools. DocMed also holds the only e-pharmacy licence awarded by Health Science Authority. DocMed's business model will shape up to be similar to US-listed Doximity (DOCS US), which has a market cap of US$6.9bn and trades at 40x FY22 (Mar) EV/EBITDA.

The proceeds will extend a 24-month runway for Hyphens to extend its digital footprint to beyond Singapore, such as Vietnam and Malaysia, and add verticals such as collaboration and marketing. These will in turn enhance Hyphens' core distribution business in specialty pharma and proprietary products through stronger pricing power with higher volume. Our current TP, at S$0.40, values Hyphens at S$123m, which includes a S$53m value ascribed to its 89% stake in DocMed. Doximity recorded 4-year revenue and EBITDA CAGR of 59% and 147% respectively, which suggest upside potential to our TP. *(Peggy Mak)*

Japan Foods <FY22 results> |The lifting of dine-in restrictions and movement controls helped Japan Foods post a strong turnaround in 2H22. It raised prices by an average 6-7% to cover higher costs, and added 1.3% pt to gross margin at 85.1%. JFH commented that there was little sign of push-back by the customers due to strong underlying pent-up demand, though footfall has not returned to pre-COVID levels for shops at the office areas. FY23E rental reversions are expected to be low, in the range of +1 to 2%, but they are signing on shorter leases and nimble in expansion plans due to manpower crunch and uncertainty on consumption demand post COVID. Even assuming revenue returns to pre-COVID level of S$68m, net profit in FY23E might be flat at S$3m, with the absence of COVID grants and rent concessions (FY22: S$7m), we estimate. *(Peggy Mak)*

KSH <FY22 results> | Net profit staged a significant turnaround from S$3.8m loss to net profit of S$24.3m, aided by S$28.8m gain from property development associates. Driven by a buoyant residential property market in Singapore, the development projects were nearly fully sold. About S$100m (S$0.177/sh) is expected to be received in KSH's books in FY23E.

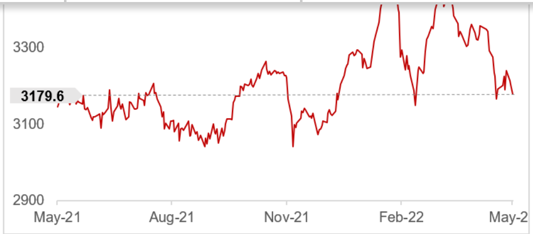
Construction margins, on the other hand, were thin at about 4%, chipped off by the surge in costs of manpower and materials (+10-15%). Of its orders on hand of S$530m, we estimate about 70% were secured before cost increases, hence margin will stay small in FY23E. New tenders are priced at better

KSH is cautious in land-banking in Singapore, citing uncertainties over buyers' affordability in an inflationary environment. Its only landbank in Singapore is an effective 10% stake in S$650m en-bloc project Peace Mansion, to be redeveloped into 60:40 commercial/residential development. Other investments are a 22.5% stake in Gaobeidian development project in China and hotel investments in Asia. It trades at 0.6x P/B, in line with the sector. *(Peggy Mak)*

Willas-Array Electronics <FY22 results> | FY22 revenue of HK$3.4b falls 3.7% on the back of supply shortage while net profit drops 11.1% to HK$82.2m due to the absence of HK employment subsidy (HK$6.9m) and lower forex gain of HK$0.8m from the appreciation of RMB. Gross margin increased 0.4ppt to 9.8%. The Group is able to maintain its margin as customers prioritise securing sufficient supply for their productions and hence are less price-sensitive at the moment. All but its Automotive segment experienced some decline in sales, largely attributed to chip shortage. Inventory levels have yet to return to pre-Covid level. The Group typically holds 2 months of inventory on hand. Inventory turnover days in March were still shorter at ~35 days. Its Automotive segment grew 11.7% and is currently the second largest revenue contributor (21%) to the Group after Industrial (30%). The industry is seeing a redeployment of resources from applications with softer demand (i.e. consumer electronics) into high growth markets with better margins. (i.e. automotive) These supplies, however, will take some time to come onstream given the stricter standards for auto applications. In the meantime, the Group stands to benefit from the current situation as it is able to secure supplies from its principals. STMicroelectronics is the Group's main principal, accounting for ~50% of the Group's total purchases. STM has forecasted 2Q22 and FY22 top line to grow at 5.8% qoq and 16-20% yoy respectively. This affirms the robust demand from automotive and industrial markets, where STM's product applications are. *(Lim Shu Rong)*

EC World REIT | has extra time to complete its refinancing exercise. ECW was granted an extension for its offshore loan facilities of S$300m and US$87m (due on May 2022). The final maturity date will depend on the successful extension of its RMB907m onshore loan facilities. If successfully negotiated, both onshore and offshore loan facilities will expire on 30 Apr 2023. Otherwise, both will expire in July this year. In return, ECW are to ensure that at least 25% of the outstanding offshore loan quantum are repaid by Dec 2022. Unless ECW is able to raise ~S$100m, we are likely to see ECW divesting its assets to meet the condition. This would reduce its AUM by ~6%.

Chinese property developers have been facing tighter credit control since the collapse of the Chinese property market. This has a ripple effect on S-REITs with Chinese assets, such as ECW and Dasin Retail Trust. Both face difficulties in refinancing their loans and are likely to incur higher cost of debt in the rising interest rate environment. ECW currently has a relatively high cost of debt of 4.2%. (Industrial REITs average: 2.7%). ECW also has a short WALE of 2.4 years. Currently, it is trading at P/NAV of 0.7x. *(Lam Wang Kwan)*


3300
3179.6
3100
2900
May-21
Aug-21
Nov-21
Feb-22
May-2


350
300
256.5
200
May-21
Aug-21
Nov-21
Feb-22
May-2