SG Weekly
3 May – 7 May 2021

Market Moves

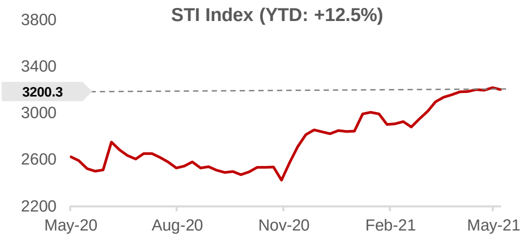
The Singapore market slipped with the rise in COVID community cases and tightening of measures till 30 May. Increased rebates for foreign worker levy were extended to the construction, marine shipyard and process sectors till Dec. The shine on the COVID winners, such as the glove makers, were tarnished somewhat by suggestions of a windfall tax by prominent Malaysian leaders. From Jan 20, CPO producers are paying a 3% windfall tax when CPO price exceeds RM2,500/ton (current CPO price: RM4,400/ton).

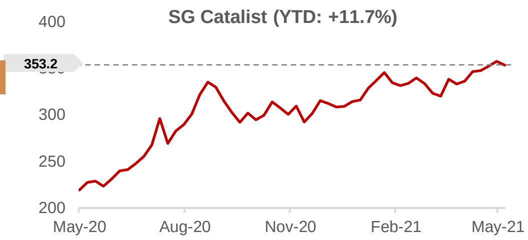
UOB and OCBC's 1Q stood out among the earnings reports this week, with fee income and lower provisions driving strong growth. Improved asset quality in Singapore and North Asia were offset by weaker SE Asia assets. An encouraging sign is the 12% and 6% rise in corporate loans for UOB and OCBC respectively.

At the earnings calls, SembMarine guided a full year loss for FY21, but higher oil price has rekindled interests from asset owners to bring back orders that have been shelved. Starhub's roaming revenue will improve if borders restrictions are lifted. Singpost's logistics business turned around, but core business of mail and parcels are inhibited by the reduction in belly space due to cut back in flights. The reduction in air travel results in dearth of new aircraft orders, and more idling of wide-bodied aircraft, pushing out the recovery for SIA Engineering's MRO and parts repair and supply operations. The worst appeared to be behind them, though, if the virus curve flatten and air travel returns. SPH surprised the market with a plan to strip out the media business, 2 properties, S$80m cash and shares in SPH and SPH REIT. It estimated a S$0.16/share decline in NAV to S$2.08. Media reported 1H21 pretax loss of S$9.7m vs SPH's pretax profit of S$136.8m.

Scorecard

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3200.3	▲ 27.3	▲ 0.9%	▼ 0.6%	▲ 12.5%
SG Mid Cap	753.2	▼ 4.5	▼ 0.6%	▼ 2.2%	▲ 8.1%
SG Catalist	353.2	▲ 1.2	▲ 0.4%	▼ 1.2%	▲ 11.7%
SG Small Cap	320.9	▼ 0.7	▼ 0.2%	▼ 3.2%	▲ 6.3%





Analysts' Notes

Ascendas REIT to acquire remaining 75% interest in Galaxis for S$543.8m, which consists of purchase consideration (S$534.4m), acquisition fee (S$5.4m) and other fees (S$4.0m). NPI yield expected for the first year is approximately 5.3% and the acquisition is 0.4% DPU accretive on a pro forma basis. The agreed property value is S$720m as compared to the S$630m when Ascendas REIT acquired a 25% stake in March 2020. The acquisition is expected to be funded through a combination of debt, issuance of consideration units to vendor and equity fund raising. Concurrently, Ascendas REIT has completed a private placement to raise S$420m, of which approximately S$240m will be used to fund this acquisition. The issue price of S$2.944 represents a discount of 5.2% to the VWAP on 4 May 2021. Ascendas REIT is currently at 1.4x its FY2020 P/B and a yield of 4.8%. *(Lam Wang Kwan)*

21 million-dollar flats were sold in April, up from 17 in March. In the first 4 months of 2021, a total of 74 of such flats were sold, as compared to 82 for the whole of 2020. With the decrease in number of India and Bangladesh workers coming in with the restrictions, BTO projects have been delayed, and increasingly more buyers are looking to resale flats and private properties to get their houses earlier. We expect home prices across all types to remain high with the low inventory in the market. Accordingly, property agency firms like PropNex Limited and ERA Singapore will seek to benefit. *(Lim Li Jun Tracy)*

Company News

Advancer Global Limited (BBG: ADGL)'s 82% indirectly owned subsidiary SRE Global Pte. Ltd. entered into sales and purchase agreement to acquire 100% of HBA Group Property Consultants Pte. Ltd. for S$0.60m. HBA provides property management and property valuation services in Singapore. HBA recorded net profit of S$0.17m and net assets sat at S$0.77m as at 31 Dec 2020. The principal businesses of ADGL are in the provision of building management, employment services and security services. The Group aims to achieve synergies between HBA and their current property management business, and is of the view that the acquisition can enlarge clientele and portfolio to increase market presence in Singapore.

Medtecs International Corp Ltd (BBG: MED) 1Q net profit surged 2.6x yoy to US$13.2m in 1QFY21. This was despite a smaller 5.9% increase in revenue to US$42.2m. Gross margin was up to 44.2%, from 18.0%, with its online retail arm through Amazon. Medtecs expect that it would be difficult for FY2021 results to exceed FY2020, but still, expects 2Q results to exceed that of 1Q. The spread of new virus variants has driven higher-volume orders for Medtecs. The Group also started the site selection for the construction of a new PPE manufacturing facility.

GCCP Resources Limited (BBG: GCCP) proposed placement with 3 placees to raise S$2.95m in net proceeds. Based on 187.5m total shares at placement price of S$0.016, gross proceeds would total S$3m. Placement price was 8% discount to VWAP. S$2.36m would be set for purchase of machinery and equipment for their diversification into a new marble business, and the remaining S$0.59m would be for general working capital. Market cap of GCCP was S$19.9m. Placement shares make up 16.03% and 13.82% of current and enlarged share capital respectively. Separately, GCCP reported 30% yoy decline in revenue in 1Q to RM1.5m, due to sluggish sales order of precipitated calcium carbonate and zero sales contribution from ground calcium carbonate. Net loss increased 18% to RM1.9m.

TalkMed Group Limited (BBG: TKMED) announced that their outpatient medical centre in Beijing had obtained the practice licence of medical Institution. TalkMed Shanshui Medical Centre will provide oncology treatment and support services, with key services such as cancer diagnosis and precision treatment, cancer treatment with fast-track access to Singapore's healthcare system.

Macro Views

US Apr job growth disappointed. The increase of 266,000 jobs was below consensus' 1m, with key add in leisure and education, and cuts in business services, and transportation and warehousing. We noted a rise in payroll income and longer working hours, which is typical of a recovery when businesses tend to postpone hiring decisions till they face labour constraints. The decline in manufacturing might be a result of parts shortages, especially at the auto plants. GM and Ford are idling some plants due to chip shortage.

China Apr exports again beat expectations, inching to 32.3% yoy growth, vs Mar's 30.6% yoy. This is in spite of a much higher base in Apr 2020. Total Apr exports is 36% higher than Apr 2019. China is benefiting from the reopening in the developed markets. Slow recovery in other manufacturing countries, such as India and Indonesia, had helped China to take market share. As the vaccination progress picks up in these developing markets, we expect China exports growth to moderate.

China Apr imports rose by a stronger 43.1% yoy, and were 22% higher than Apr 2019, also driven by higher commodity prices, as China manufacturers generally import their raw materials. Effective 1 May, China has removed export tax rebate for steel products, cut import tax on steel alternatives, and raised export duty on some steel products. This could address the rise in steel prices in China, and slow the imports of iron ore, lowering input costs for Chinese shipbuilders and auto manufacturers.

SG Mar retail sales were up 6.2% yoy but still 8.3% lower than Mar 2019. Supermarkets sales fell further by 14% yoy, but were still elevated at 17.5% above Mar 2019. Sales rebounded for petrol service stations (+18.6%) and apparel and footwear (+35.6%) point to greater mobility and more workers returning to office. But apparel and footwear sale were still 19.3% lower than Mar 2019. And the 4.2% yoy decline for department stores (-41.0% when compared with Mar 2019) signaled weak recovery for the retail malls.