SG Weekly
10 May – 14 May 2021

Market Moves

Singapore market lost 2.2% on Friday when the authority imposed tighter restrictions for one month from 16 May to arrest the surge in COVID cases. Asian countries, such as Taiwan and Malaysia, are facing resurgence in new cases, and have imposed movement restrictions. Most Asian markets lost ground in the past week. Tech-heavy TAIEX lost 8.4% and Nikkei 225 4.3%.

Not helping is Singtel's warning of a S$1.2b provision for FY21 (S$839m in 2H or S$0.051/share) for impairment of digital life unit Amobee (S$589m), cybersecurity unit TrustWave (S$336m), and charges at Optus (S$305m) for network assets no longer in use and payroll review. This is offset by S$98m gain from dilution of its effective stake in Bharti Airtel. FY21 results will be out on 27 May.

US Apr core CPI rose sharply by 0.92% mom (Mar: +0.3% mom), led by used cars, airfares and lodgings from home. CPI could rise further in May as the hacking of Colonial pipeline affects the supply of gasoline, petrol and jet fuel. Chip shortage has caused automakers to idle capacity, and consumers are switching to used car as an alternative. More re-opening of the US economy has also spurred travel plans. We see the rise as temporary. Already, US and EU are mulling over the removal of tariffs on European steel and aluminium exports and US whiskey exports.

Share prices are reacting to rising inflation expectations. Inflation would raise rates expectations and the cost of equity, hurt the growth companies that rely on investors to fund business expansions. Valuations of the tech and e-commerce sectors are under greater pressure. Alibaba reported 41% rise in revenue and 2% in net profit to RMB143b for FY21, even after a RMB18.2b anti-monopoly fine. Tech and e-commerce will continue to take share post COVID, in our opinion.

Analysts' Notes

South Korea's Samsung Electronics and SK Hynix plan to spend US$450 bn in aims to build world's biggest chipmaking base. In the decade-long plan, Samsung is boosting its spending by 30% to $151 bn through 2030, and SK Hynix is committing US$97 bn in addition to its US$106 bn plan. The effort comes at a time when US, China and EU are ramping up semiconductor capabilities. This would bode well for Singapore semiconductor precision-machining parts supplier UMS Holdings (*Latest report*), with their indirect exposure to some of these companies through global player Applied Materials. UMS posted a record quarter in 1Q as revenue increased 42.3% yoy to S$49.6m on the back of higher component sales. *(Lim Li Jun Tracy)*

UG Healthcare Corporation Limited (BBG: UGHC)'s sequential growth moderated in 3Q, as it operated at near capacity, while ASP was stable. Revenue and net profit were up 5.9% and 6.4% qoq respectively. Gross margin maintained at ~62.7%. UG will add 0.5bn and 1.2bn units from Apr 21 and Jul 21, lifting total capacity to 4.6bn gloves per annum in FY2022, funded by net cash of S$50m. It trades at FY21 annualised PER of 3.2x and P/B 2.7x.

Orders are filled till end CY2021 for nearly all the glove makers. Beyond that, it is uncertain how vaccination could alter consumption, and if some of the new demand (sectors such as food, security) would stay. On the supply side, new players have jumped on the bandwagon while existing makers have ramped up capacity. UG differentiates from other players as it sells mainly under its house brands, with a foothold in Europe, South America and Africa. *(Peggy Mak)*

Hyphens Pharma International Limited (BBG: HYP) grew revenue by 7.5% yoy to S$33.8m in 1QFY21, contributed by higher sales from specialty pharma principals segment in the Vietnam market. Stockups and high bulk sales last year led to high base effect, resulted in yoy reduction in sales for proprietary brands and hypermart and digital segments. Net profit improved marginally by 0.6% to S$2.1m. The Group recently launched its latest TDF® product, TDF® Blu Voile Sunscreen SPF50 PA+++, tested to filter out more than 90% of blue light.

We like Hyphens and believe that its current share price of $0.29 is attractive. In particular, we believe Hyphens' internationalisation efforts, strengthening of specialty pharma portfolio and enhancement of digital service offerings will boost sales. Maintain our earnings estimates and target price (latest report). *(Lim Li Jun Tracy)*

Company News

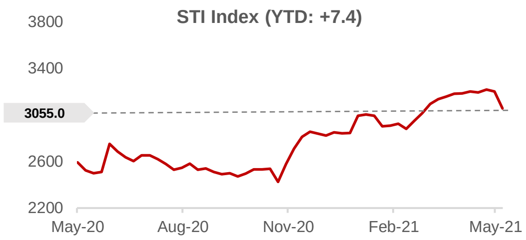
Yinda Infocomm Limited (BBG: YINDA) intends to raise S$26.3m via issuance of 195m new shares at S$0.135 each, representing 30.1% of existing share cap. Proceeds will be used to strengthen financial position (10-20% of funds) and pursue new business opportunities (80-90%), including an equity investment that is at an advanced stage of negotiations.

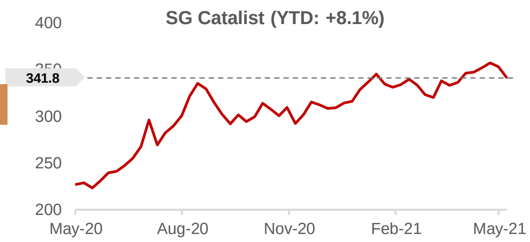
Kimly Ltd (BBG: KMLY) reported 14.2% gain in revenue in 1HFY21 to S$122.6m, mainly from the food retail division which increased by S$9.5m to S$59.9m, with higher food delivery sales, opening of 7 food stalls and 2 confectionary shops. Outlet investment business increased by S$3.0m to S$3.7m and outlet management division increased S$2.7m to S$59.0m. Net profit rose 106% to S$21.7m, which included S$5.7m government grant and S$2.7m rental relief that would be passed through to tenants subsequently.

Asian Healthcare Specialists Limited (BBG: AHSP) saw 99.6% increase in revenue to S$13.3m in 1HFY21, due to consolidation of results of Cornerstone Asia Health, after they acquired a 51.0% stake. CAH contributed S$6.9m to AHSP's topline. Net profit increased 98.9% to S$2.0m, lifted by S$0.3m government grant, offset by a S$0.3m loss at associate Fansipan 2 Holdings.

Scorecard

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3055.0	▼ 68.2	▼ 2.2%	▼ 3.7%	▲ 7.4%
SG Mid Cap	720.4	▼ 21.2	▼ 2.9%	▼ 4.9%	▲ 3.4%
SG Catalist	341.8	▼ 13.5	▼ 3.8%	▼ 2.9%	▲ 8.1%
SG Small Cap	310.3	▼ 7.3	▼ 2.3%	▼ 3.5%	▲ 2.8%





Macro Views

SG announced tightened mobility restrictions from May 16 to June 13, to curb the spike in community cases. Group size is cut to 2, indoor exercise, beauty services, dining-in are banned, and non-essential workers are to work from home. The period extends into June school vacations, traditionally strong season for retail and recreational spending. These will negatively impact F&B, REITs, construction and the service sectors. To mitigate the impact, wage support is raised from 10% to 50% for the F&B sector.

The tightened restrictions are less severe compared with those imposed during Apr-Jun 20. The rise in grocery sales might not be as steep. With more time online, retail participation on the SGX might pick up again after the 28% mom and 30% mom decline in Apr's total market volume and value, respectively.

China Apr PPI rose by 2.4ppt to 6.8% yoy, due to a much lower base last year, led by mining (+25% yoy) and raw materials (+15% yoy). Consumer goods only gain 0.3% yoy. On a mom basis, Apr's 0.9% gain is slower than 1.6% in Mar, and this was driven mainly by oil and non-ferrous metals. Ferrous metal surged 5.6% mom, mirroring the surge in steel prices.

China Apr CPI, on the other hand, declined sequentially by 0.3% mom (Mar 0.5%) led by decline in food prices. It rose 0.9% yoy (Mar 0.4%) due to a low base in the previous year. Hog price declined further by 11% mom and 21% yoy. Excluding food and energy, core CPI was 0.7% higher yoy.

We do not think that the higher PPI will lead to CPI inflation. China's tightened environmental controls have led to cut back in output. Supply from other developing economies will resume as their economies reopen progressively. Uneven recovery in the global economies would cap income growth, limiting manufacturers' ability to pass on the higher cost to consumers. We believe margins will come under pressure in the near term but ease off when the supply chain recovers.