

Market Moves

Lingering inflation fear and the new virus variant are unsettling the market. Singapore is considering giving everyone at least one dose of the vaccine, so that about 4.3m (or 75% of the population) would be inoculated by end July. About 2m population has received at least one dose so far. This could be the key to ease travel restrictions, in our opinion.

SG NODX rose 6% yoy on a high base in the previous year, led by electronics (+10.9%). Exports growth to Asian emerging markets were strong (Indonesia 28.3%, Malaysia 57.1%, China 55.5%, Hong Kong 30.9%) while those to EU, US and Japan fell. This suggests recovery of manufacturing activities in the regional countries, to which Singapore ships mainly components. The resurgence in virus cases in Taiwan, Malaysia, India and Thailand is however a cause for concern.

The Hang Seng Index will add BYD, Xinyi Solar and Country Garden Services to the components from 7 Jun, bringing the total to 58. It plans to raise this to 80 by mid-2022 and 100 in the longer term. At the same time, the weight of each component will be capped at 8%. The move will trim the weights of AIA, HSBC and Tencent by 2.24 ppt, 0.51 ppt and 1.38 ppt respectively. And Alibaba and Meituan's will be raised by 1.74 ppt and 3.43 ppt. In contrast, STI is weighted by market cap.

SIA reported FY21 net loss of S\$4.3bn for FY21, with a much reduced loss of S\$804m in 2H. Cargo accounted for 71% of revenue. The positive is 2H higher revenue of S\$2.2bn (+33.5% hoh), led by higher load factors and yields for cargo. It generated negative operating cash flow of S\$674m in 2H21. Net debt stood at S\$3.7bn and net gearing at 22.7%. SIA is raising S\$6.2bn through the issuance of the remaining zero-coupon mandatory convertible bonds (MCB), via a rights issue of 209 MCB for 100 existing shares at S\$1 each. Temasek will underwrite the issue. The MCB are convertible into new SIA shares at S\$4.84, and deliver yields of 4% to 6% per annum, if they are redeemed at the option of SIA. The MCB are treated as equity and do not impact gearing. The previous issuance of S\$3.5bn MCB are trading at near par of S\$1. At SIA's current price of S\$4.77, the MCB do not look compelling.

Analysts' Notes

Mapletree Industrial Trust to acquire 29 data centres in the US for US\$1,320m. The properties have a NLA of approximately 3.3 m sq ft and will increase the proportion of data centres in MIT's portfolio by AUM from 41.2% to 53.6%. The acquisition is 3.3% DPU accretive on a pro forma basis. It is expected to be funded by a drawdown of debt facilities and proceeds from an equity fund raising exercise. MIT has recently completed a fund raising exercise to raise S\$823.3 million, of which approximately S\$726.5 million will be used to finance the acquisition. The equity fund raising exercise includes: i) a private placement at S\$2.696 per new unit and ii) a preferential offering at S\$2.640 per new unit, which represents a 2.3% and 4.3% discount to the VWAP on 19 May 2021 respectively. MIT is currently trading at 1.7x its FY21 P/B and a yield of 4.5%. (Lam Wang Kwan)

Spike in face masks sales following Government's new guidance on recommended masks. Mask manufacturers are likely to see some higher sales this quarter with Singaporeans stocking up on surgical masks. However, on the trading front, we do not expect large share price jumps for these publicly-traded suppliers akin to last year, as i) it is more muted this time; ii) saturation of mask suppliers in the market, decreasing the share of the pie for the publicly-traded counterparts; and iii) manufacturers do not have as big of a pricing power as last year. Perhaps, sectors like F&B and entertainment could warrant more attention, as they would be some of the hardest-hit with lower sales expected. Although, the uncertainty of whether rental reliefs will be passed, and whether they will be sufficient, may pose as the bigger issue for them. (Lim Li Jun Tracy)

Company News

Livingstone Health (BBG: LHH) has launched a one-stop health screening and radiology centre. Through indirect 51%-owned Ardennes Healthcare Pte Ltd, it is offering laboratory and radiology-based services such as blood tests, X-ray and ultrasound to corporate and affluent clients. This centre could act as a conduit in referring clients to the Group's list of medical specialists.

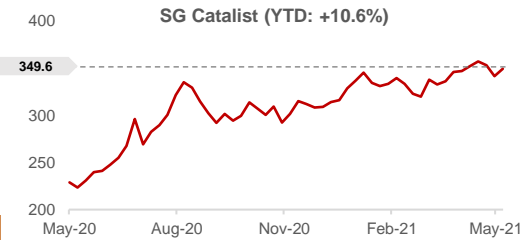
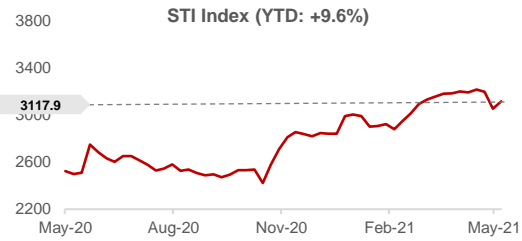
Q&M Dental's (BBG: QMDNF) 51%-owned Acumen Diagnostics won the tender from Singapore's Health Promotion Board to provide swab and testing services. Acumen owns a proprietary SARS CoV-2 RT-PCR test kit, which has received Singapore Health Sciences Authority's Provisional Authorisation for clinical use, to provide testing services. These test kits are already being used in countries such as Malaysia and Indonesia.

Econ Healthcare's (BBG: ECON) first Chinese nursing home commenced operations in Chongqing. This adds 44 beds to current portfolio of 1,376 beds. ECON holds a 60% stake in this venture, and does not expect a significant impact in FY22. The 7 medical centres in Singapore contribute the bulk of earnings, thanks to government grant of up to 80% for eligible residents. ECON's FYMar21 earnings report will be out on 27 May.

iX Biopharma Ltd (BBG: IXBIO). US FDA has granted IXBIO the Orphan Drug Designation for the treatment of complex regional pain syndrome with Ketamine. This adds to the range of disease / condition that Wafermine can be applied for treatment. Wafermine is a sublingual ketamine wafer developed by IXBIO's patented WaferiX sublingual delivery technology. The designation gives IXBIO 7-year market exclusivity, tax credits for qualified clinical trials and waiver of US FDA's New Drug Application filing fee of ~US\$2.9m.

Scorecard

Table with 6 columns: Symbol, Price, Change, 1D % Change, 5D % Change, YTD % Change. Rows include STI, SG Mid Cap, SG Catalist, and SG Small Cap.



Macro Views

OTS Holdings Limited files for a SGX Catalist listing. OTS produces ready-to-eat and ready-to-cook meat products in Singapore and Malaysia under own brands such as Golden Bridge and Kelly's. In FY20, about 32% of sales are to the supermarkets, 41% to general stores and wholesalers, 18% to restaurants / food eateries and remaining on e-commerce platforms or exported. OTS booked revenue of S\$21.1m and net profit of S\$2.9m in 1HFY21.

SEA Ltd reported a strong set of numbers for 1Q21. Revenue rose 146.7% to US\$1.8bn, on strong bookings for digital games of US\$1.1bn (+117.4%). Adjusted EBITDA was US\$88.1m, from loss of 69.9m in 1Q20. Net loss, however, widened to US\$422m, from US\$281m in 1Q21. It has 79.8m quarterly paying users (12.3% of quarterly average users) for digital entertainment. Gross merchandise value for e-commerce doubled to US\$12.6bn. And e-wallet total payment volume more than tripled to US\$3.4bn in 1Q. SEA holds one of the two SG digital full-bank licence.

OATLY, the oat milk brand debut on Nasdaq and raised US\$1.43bn, at a valuation of US\$10bn. It closed at US\$13.3bn at the end of last week. Sales doubled in FY20 to US\$421m, but loss widened from US\$35.6m to US\$60.4m. Asia accounts for 13% of sales currently, but the company intends to seek a listing in HK if Asia accounts for >25% of sales for 2 consecutive fiscal quarters. China Resources holds an indirect 30% stake in the company. Plant-based meat alternatives are winning investors due to climate concerns. Beyond Meat was listed in 2019 at a valuation of US\$1.46bn. Market cap is now US\$6.7bn.

Bitcoin plunged to US\$30,000, the lowest levels since Jan, after Tesla suspended purchases using Bitcoin over environmental concerns. And China issued a statement warning financial institutions not to conduct virtual currency related businesses. US Treasury wants businesses to report transactions in cryptocurrency of >US\$10,000. The drop is >50% from high of almost US\$65,000.

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