SG Weekly
24 May – 28 May 2021

Market Moves

Singapore market was rejuvenated with surprise 1Q GDP data, a S$800m stimulus bill, and US President Biden's US$6tn budget proposal, in spite of dismay earnings reports from Singtel and still sluggish outlook for SATS' aviation-related income. SG raised the full year trade growth projection to 1-3% yoy, from 0-2% previously. Two weeks into the enhanced mobility restrictions, even with the ban on dine-in and limit on group size, movement is not as restrictive as the circuit breaker in Apr - Jun 20. At least we can look forward to EURO 2020 and French Open Tennis, although the prospects for Tokyo Olympics games have dimmed.

Sembcorp Industries (SCI) detailed its strategy to grow the share of net profit from sustainable solutions to 70% (from 40%). It also planned to increase installed renewable capacity to 10GW (from 2.6GW), raise sales of landbank to 500ha (from 172ha) and cut greenhouse gas emissions intensity by 25%. It has a target capex of S$5.5bn over 5 years, and hope to fund this through debt and asset sale. Its 2025 target are: ROE 10%, debt/equity 5.4x, EBITDA/interest 3.2x. SCI is positioning itself as an ESG play in the renewable sector under the Temasek stable, in our opinion.

Malaysia will enter a nationwide full lockdown for 2 weeks from 1 Jun, similar to the most severe movement control order imposed in March last year. While details are yet unclear, SGX-listed companies with production bases in Malaysia might face disruptions. The 1Q earnings reports from the Malaysian banks in the past week highlighted that asset quality improvements remain doubtful, and some banks are prepared to extend loan moratoria even after they officially expire at end June. Net interest margins, however, have improved due to higher CASA ratio. While ASEAN is facing rising new cases, the vaccination pace has also stepped up. Most of the vaccine supply comes from China. China has ramped up its own vaccination efforts. Hopefully this does not lead to reduced vaccine supply to ASEAN.

Analysts' Notes

Singapore has began the trial of a 60-second Covid-19 breathalyser test, Breathonix, which could potentially be a game-changer. If the product could effectively detect Covid infections with a reliable result within a minute, we believe this could open doors for the entertainment and recreation sectors. Breathonix is working with the Ministry of Health for its deployment trial at Tuas Checkpoint, where incoming travellers will be screened. We expect that if it proves to be reliable and feasible for a large-scale rollout, relaxation of many entertainment activities could happen, such as having a higher capacity in cinemas, malls and eateries. This may be good news for entertainment companies, such as live concerts organiser Unusual Limited (***latest report***), which is currently facing postponement of most of their concerts, and looking for a clearer sense of direction after Singapore took a step back with renewed restrictions on events capacity. *(Lim Li Jun Tracy)*

FLCT to acquire 6 European properties for ~S$548.7m. The acquisition includes 5 freehold logistics and industrial properties across Germany (3), the Netherlands (1) and the UK (1) as well as a freehold business park in the UK. The acquisition is 1.8% DPU accretive on a *pro forma* basis. Of the Total Transaction Cost (~S$501.1m), the Manager plans to finance the purchase consideration (~S$469.7m) and professional fees (~S$27.1m) through debt and proceeds from equity fund raising while the acquisition fee (~S$4.3m) will be paid in FLCT units to the Manager. FLCT will issue 240m new units at an issue price of S$1.399, to raise gross proceeds ~S$335.8m, of which ~S$316.5m is expected to partially fund the acquisition. FLCT trades at 1.3x FY20 P/B and yield of 5.0%.

Year-to-date, SREITs have raised ~S$951m of proceeds from a slew of equity fund raising exercises (excluding MIT (~S$823m) and FLCT (~S$356m)). With the exception of Keppel REIT, all are for acquisition purpose. Among them, MIT stood out with its acquisition of 29 data centres in the US as the REIT continues to deepen its data centre concentration. The acquisition is 3.3% DPU accretive on a *pro forma* basis. MIT trades at 1.7x FY21 P/B and yield of 4.6%. *(Lam Wang Kwan)*

Company News

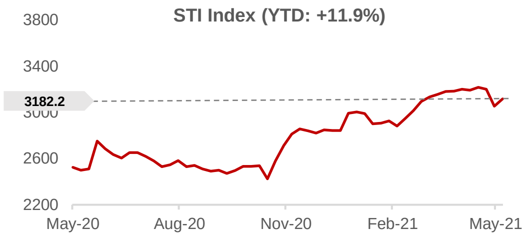
Yinda Infocomm Limited (BBG: YINDA) announced that one of its portfolio companies, TECH5 SA had joined ID2020 Alliance as a general partner. This is a global public-private partnership that promotes digital identity solutions and pushes user-managed privacy protection. TECH5 recently launched its biometric Digital ID platform and makes this available to the global community to help accelerate access to digital identity ecosystems. Yinda, under new controlling shareholders, has been expanding from servicing communications networks to taking substantial stakes in companies providing biometric and digital identity technology. Year-to-date, Yinda shares rose 270% to close at S$0.325, with a market cap of S$210.4m.

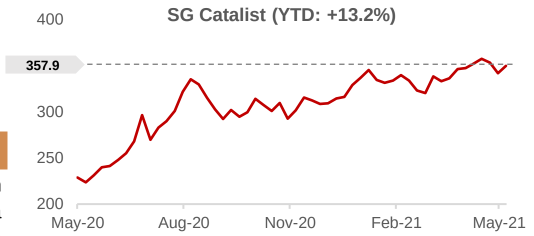
Econ Healthcare Group (BBG: ECON) announced a 1.6% increase in revenue and operating subvention grants in FY2021, to S$37.9m. Profit surged 41.2% yoy to S$5.7m, which included exceptional grant of S$4.3m received for pandemic assistance. The Group expects the 12th nursing home to be operational in 2022, which would increase total bed capacity to 2,336 beds from 1,376 beds currently across Singapore, Malaysia and China.

Old Chang Kee (BBG: OCK) net profit increase 10.3x to S$8.7m in FY21, largely due to the S$6.1m received in government grants and property tax rebates. Revenue decreased 14.4% yoy to S$75.3m, due to a decrease in revenue from retail outlets, offset by higher revenue from delivery, catering and events. The Group's gross margin improved by 1.9ppt to 65.6%, with economies of scale enjoyed from the large-scale catering of packed meals to foreign workers dormitories; and improved food cost controls and higher production staff efficiency.

Scorecard

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3182.2	▲ 17.4	▲ 0.6%	▲ 2.3%	▲ 11.9%
SG Mid Cap	748.7	▲ 5.2	▲ 0.7%	▲ 1.7%	▲ 7.5%
SG Catalist	357.9	▲ 1.1	▲ 0.3%	▲ 2.2%	▲ 13.2%
SG Small Cap	327.6	▲ 3.0	▲ 0.9%	▲ 1.9%	▲ 8.6%





Macro Views

SG 1Q GDP's surprise +1.3% yoy (earlier estimate +0.2%) is a record high level that even beat 4Q19. Strong momentum at manufacturing (+10.8% yoy), wholesale and retail trade (+3.2%) and finance and insurance (+4.7%) more than offset sluggish performance from construction (-22.6%), transportation & storage (-16.5%) and real estate & professional services (-7.0%). Accommodation grew +19.1% yoy due to a low base, but still -28.1% from 1Q19.

MTI maintained its full year estimate of real growth of 4 - 6%, and issued a toned-down statement compared to earlier note that SG economy might exceed the higher end of the range. We see manufacturing and trade leading growth in subsequent quarters. Recent tightening of mobility will delay the recovery of tourism and travel, and exert pressure on construction, transportation and retail. Rising infections and vaccine shortage in Taiwan, a key semiconductor upstream producer, might also be a concern. Year to Apr, 11.9% of imports came from Taiwan, which grew 34.2% yoy.

The government rolled out S$800m in aids to targeted SMEs affected by the one-month soft lockdown. These include wage support from 30% to 50% for food, arts, sports, entertainment and personal care services, and half-month/one-month rental waiver for private/government commercial premises; one-off payout of $500-$700 to those who face significant income loss or forced no-pay leave; student loan repayments and interest charges deferred till 30 Sep. The stimulus will mitigate any fallout in job losses or business closures. A negative is private landlords might face pressure to fork out a half-month rental waiver.

SG Apr CPI +2.1% yoy over a weak Apr last year, but were -0.2% mom. With gradual re-opening, food services was +1.1% yoy, transport +9.7%, recreation +0.8% and healthcare +0.9%. Most notable decline is clothing and footwear (-4.9%) and postage and courier (-11.6%). MAS core inflation index, which exclude accommodation and private transport was +0.6%, and stable over Mar.