SG Weekly (2 September 2021 - 8 September 2021)

Market Moves

The higher COVID cases in Singapore is raising renewed concerns that there might be restrictions imposed on mobility. Rules on COVID testing might also lead to higher operating costs and productivity lost that would hurt the recovery momentum. The rebound in economic activities in Malaysia and Indonesia as COVID wanes will be the drivers to lift the Singapore market. Most Singapore companies have production plants in Malaysia and Indonesia.

Inflation is rearing its head everywhere, and this is likely the biggest hurdle to a recovery. Higher commodity prices, supply chain disruption and higher labour costs look likely to sustain till end of this year. Companies who do not have pricing power and cannot pass on the higher costs will see margin erosion.

SGX rolled out SPAC listing from 3 Sep, providing an alternative avenue for aspiring companies to seek funding for growth. Some requirements of SPAC listings include 1) a minimum market cap of S$150m, 2) a minimum equity Sponsor's participation of 2.5%-3.5% of the IPO, and 3) a minimum IPO price of S$5/share or unit.

Capitaland will cease trading from 10 Sep. In its place, CapitaLand Investments Ltd will be listed on 20 Sep. CLI is a fund management outfit holding stakes in 6 listed REITs and 20 private real estate funds, almost akin to a REIT ETF. The

Analysts' Notes

With the expiry of the US pandemic benefits on Sept 6, we expect some impact on spending and demand for consumer goods, although we note that other drivers (i.e. possibility of WFH reinstatement with the exponential rise in Delta cases globally, electronics boom, home upgrading and improvement, etc) remain to mitigate downside. If the current stretched capacity loosens, and the backlog clears up, this may trickle down to some cooling of shipping prices as a result, seeing the size of the US consumer market (~35% of total global consumer market, according to Wiki and World Bank). Any cooling of freight rates would dampen the shipping industry, including shippers like Samudera Shipping Line (latest report), which has been seeing its share price increase ~+130% YTD, with their strong results held up by the high freight rates. *(Lim Li Jun Tracy)*

Koda Ltd (BUY TP $1.00): Koda had its strongest year in FY21 led by export sales to OEM customers (+34.8%) and retail sales (+46.7%) under house brand Commune. Furniture demand from North America market (~74% of its OEM customers) remains strong and in favour of an uptrend. However, production output could be impacted by COVID curbs in Vietnam and Malaysia. Resumption of operations is only allowed when the workforce achieves a certain vaccination rate. Fulfilment of orders is dependent on restarting of its production lines after Koda had drawn down its inventories. In its the weights of REITs on the STI.

vaccination rate. This will help to replenish its low furniture stocks while they follow up with vaccinating its workers in Vietnam. Potential factors affecting Commune's sales include 1) Property curbs and strict lockdown measures in response to rising Delta cases in China and 2) Back to office arrangement in Singapore. (Latest report) *(Lim Shu Rong)*

International Cement Group (BUY TP S$0.089): 1H21 revenue grew 34.6% to S$84.9m on the back of contribution from the Kazakhstan plant, which commenced sales in 3Q20. Lower cost of raw materials in Kazakhstan also helped to improve gross margin by 370bp to 43.7%. Overall, the Group booked a 116.7% growth in net profit to S$13.0m. As an established cement producer in Kazakhstan and Tajikistan, we believe the Group will continue to benefit from the demand for construction materials driven by projected plans for reconstruction, urbanisation and infrastructure growth in the Central Asia region. ICG is carefully navigating potential risks including geo political risk in Afghanistan and overcapacity situation in Kazakhstan. ICG is currently trading at 0.7x PB and 3.7x EV/EBITDA. (Latest Report) *(Lam Wang Kwan)*

Macro Views

China's August exports rose 25.6% yoy (+4.1% mom), a new record high, fuelled by higher commodity prices and robust demand from US and Europe. Imports also surged 33.1% yoy with higher coal imports (+35.8%) and rebound in orders for iron ore. The price of coal has hit new high, due also to shipment disruption from Indonesia.

China's August PPI further accelerated to 9.5% (July 9.0%), suggesting higher input costs for manufacturers. The higher commodity prices and supply chain disruption are exerting margin pressure. On the other hand, August CPI was

Company News

Mary Chia Holdings Limited (BBG: MCH) entered into a non-binding MOU with Mobile-Health Network Solutions (MHNS) to acquire ~5% of MHNS. MHNS holds the "MaNaDr" brand and provides telemedical services such as online teleconsulting and sale of medical and healthcare products. It has a network of 600 clinics and 1000 GPs and specialists.

Metal Component Engineering (BBG: MCOM) signed a term sheet to acquire 70% of PT Gaido Digital Medika (GDM) for IDR 7b (~S$0.66m). GDM has not commenced business. It is the digital health arm of Gaido Group, which is clamp down on after school tuition might have helped to lower cost of education.

SG retail sales stabilized at +0.2% yoy in July, as pandemic low base effects wore off (June +26%). Sales were still below pre-Covid level at S$3.4b, and 13.9% are transacted online. Biggest m-o-m increases were department stores (+16.2%) and wearing apparel and footwear (+13.7%) as more workers return to office. Biggest m-o-m declines were motor vehicles (-11.4%), food & alcohol (-5.5%) and optical goods & books (-5.2%).

its online medical platform in Indonesia.

Miyoshi (BBG: MIYO)'s major customer plans to terminate its business activity in the Philippines Economic Zone from 30 Nov 2021. This will shave off 18.4% of Miyoshi's revenue, and reduce FY22E (Aug) NTA and EPS by 1.2% and 48.5%, respectively.

Libra Group (BBG: LGL) entered into a binding LOI with Tianci International Pte Ltd for a 70% stake in Libra for S$2m. The investment is not intended to be an RTO exercise, as new businesses in building materials and construction supplies are likely to be injected into Libra at a later stage. Libra hopes the fund will help to resolve its debts owed to creditors.