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This is SAC weekly newsletter for 17 Nov 2021

### Market Moves

Global markets watched - with anxiety and relief - the summit of President Xi and Biden, and the unwinding of measures that could ease tensions and help the rest of the world. First to take off could be Boeing Co, if the Chinese authorities lift the 2-year ban on the 737 MAX by end 2021. China accounts for one-quarter of Boeing's sales. With higher jet fuel prices and yet unclear post-pandemic air travel demand, airlines would seek to replace their aircraft with fuel-efficient and narrow-body types. Longer term, MROs such as SIAEC face two challenges: 1) the need to up-skill to service these newer aircraft types; and 2) newer aircrafts incur less maintenance man-hour. However, in the short term, border reopening will drive more work as aircraft are readied for flight.

HDB revealed details of its new model for new flats in prime area. The owners will pay 6% of the price or valuation (whichever is higher) back to HDB when they sell on the open market for the first time. This is on top of the 10-year minimum occupation period (up from 5 years) and S\$14,000 monthly household income limit, with at least one Singaporean applicant. The 6% charge is comparable with the additional buyer's stamp duty (ABSD) that is levied on PRs (5%), foreigners (20%), buyers of second and subsequent properties (12-15%) and corporates (25%). The quantum is unlikely to deter buyers. But the 10-year MOP would have led to higher prices for existing resale flats in the city and fringe areas. This does not appear to resolve the authority's concern of surging HDB prices. Dwindling supply in the next 2 quarters and fear of higher prices could hold up property transaction volume, barring any property cooling measures.

Singapore's Oct NODX rose strongly by 17.9% yoy (Sep: 12%) and 4.2% mom (Sep: 1%), led by ICs (+22.6% yoy) and diodes and transistors (+19.8% yoy). China (+35.6%), Taiwan (+29.4%), S Korea (56.6%) and Malaysia (+29.4%) underpinned the demand for electronics outputs, in particular semiconductors. Mirroring the strong 3Q revenue growth of the semiconductor bellwethers (TSMC +22.6% yoy; SMIC 30.7%), Singapore tech stocks such as UMS (+50%) and Grand Venture (+90.9%) also turned in better performance. Countries such as China and US seeking to onshore semiconductor production could sustain export demand for semiconductor equipment and parts. Already, TSMC is guiding 4Q21 revenue of US\$15.4-15.7bn, 3.5%-5.5% higher sequentially. Singapore's actual 3Q GDP data is due on 24 Nov. The advance estimate was 6.5%.

[Analysts' Notes](#)[Company News](#)

**Cordlife Group** | 3Q21 revenue increased 8.9% yoy and 6.7% qoq to S\$12.7m. The increase was mainly due to higher number of new samples processed and stored, more clients converting to higher price plans in the Philippines market as well as higher revenue contribution from diagnostics services driven by an increase in pre-natal testing and genetic screening services. However, net profit decreased 26.0% yoy to S\$1.8m mainly due to lower government grants. The Management expects the resumption of conventional marketing activities following the gradual easing of COVID restrictions and the expanded suite of services will help to increase the demand for Cordlife's services going forward. However, we remain cautious of the uneven recovery trajectory of Cordlife's key markets and lower levels of discretionary spending which could possibly impact demand for its services. *(Lam Wang Kwan)*

**Q&M Dental Group** | 9M21 revenue increased by 62% to S\$153.2m. Revenue contribution from dental and medical clinics segment increased by 36% mainly attributed to organic growth while medical laboratory and dental equipment & supplies segment surged 3x on the back of higher revenue from Covid-19 test kits and testing from the Group's Covid-19 medical laboratory business from the Acumen business. Overall, the Group's net profit increased 154% to S\$35.4m. Going forward, demand for PCR test for patients and international travellers, distribution of COVID-19 ART test kits, as well as expansion of new PCR tests into infectious diseases, sepsis and cancer is expected to drive growth of Acumen Diagnostics. At the same time, Q&M is also on track for its organic growth plan of its dental core. The Group is planning to open 20 more dental clinics by end of 2023 and also to expand its operations in Malaysia and PRC. Q&M is currently trading at an annualised yield of

**Silverlake Axis Ltd (BBG: SILV)** secured contracts to deliver digital enhancement solutions to 28 customers, mostly banks. The solutions improve on existing core banking system and enhance customers' digital experience. The contracts have an aggregate value of ~MYR 90m (~S\$29m) and are expected to be completed 12 – 18 months from the signing of contracts.

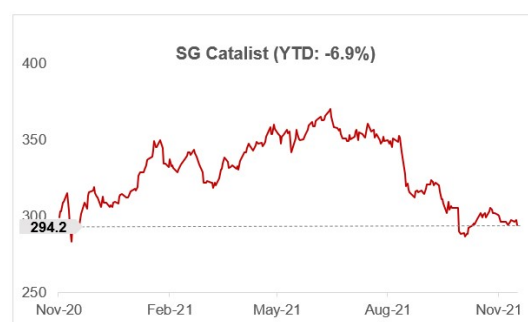
**Ntegrator International Ltd (BBG: NTEG)** secured S\$1.5m contract for cable diversions works from Daewoo-Yongnam JV. The works relate to the construction of 3 Jurong Region Line stations that was previously awarded to the JV. Completion deadline is by 15 April 2022. Outstanding orderbook for Ntegrator, including this contract, stands at S\$67.4m.

**Beng Kuang Marine Limited (BBG: BKM)** posted a 34% yoy jump in 9M2021 revenue contributed primarily by higher business volume from its Infrastructure Engineering and Corrosion Prevention businesses. Both segments make up 87% of total revenue. Adjusted EBITDA surged 546% to S\$2.6m as gross profit margin improved 7.4 ppt to 12.2%. The Group has undertaken 2 share placement exercises and raised combined gross proceeds of S\$4.7m. The proceeds will be used to strengthen its balance sheet and further grow its businesses.

~6.7%. (*Lam Wang Kwan*)

**COP26** | Stricter stance against coal were upheld by global leaders to limit global warming to 1.5-degree target. More than 40 countries have committed to phasing out coal power by 2040s, including Indonesia and South Korea which are heavy users of coal for electricity generation. In the short run, coal companies such as Geo Energy and Golden Energy & Resources (GEAR) are to benefit from strong demand for its existing coal supply. New projects are curtailed as countries pledged to stop financing any new international coal projects. Nevertheless, in the long run diversification away from thermal coal would be crucial as coal loses appeal among countries trying to meet the 1.5 degree target. Thermal coal makes up 90.9% of total revenue for GEAR as of 1H21.

GEAR plans to buy over BHP Group stake in BMC which owns 2 coal mines in Australia. The coal mines produce met coal which are used in steel making and currently irreplaceable. Met coal are not under the same intense scrutiny as thermal coal. (*Lim Shu Rong*)



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