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This is SAC weekly newsletter for 24 Nov 2021

Market Moves

SG Q3 real GDP grew +7.1% yoy (Q2: +15.2%) and +1.3% qoq, led by construction (+4.9% qoq), real estate (+3.9% qoq) and info and communication (+6.2% qoq). MTI projected 2021 growth to come in at the top end of the 6-7% range, and 2022 at 3-5%. This implies 2021 Q4 GDP growth could hit 5.2% yoy and +2.0% qoq. Output for the full year could beat 2019's by 1.2%.

SG 10-year government bond yield rose in tandem to 1.804%, partly reflecting the rising inflation (Oct CPI +3.2% yoy, +0.3% mom) which signify a pick-up in economic growth. Oct's CPI is further skewed by higher prices for private transport (+14.3% yoy) due to the dearth of COEs, petrol (+4.9%) and utilities (+4.9%). The quota for Nov-Jan 2022 is further reduced by 24.3% to 10,590 (from 13,984 for Aug-Oct), thus driving bid prices higher.

As growth rates normalise in 2022 for Singapore and the major economics, we believe inflation rate will ease. The Baltic Dry Index has declined 53% from early Oct to 2654 currently, led by the large capsize rate which tracks iron ore and coal cargoes. The spike in demand for goods during COVID is shifting to demand for services, lifting the pressure on prices. Tighter monetary policy and fading inflation could lead to rising real yields, which are not good for stock valuations.

iX Biopharma signed an exclusive licence agreement with Nasdaq-listed Seelos Therapeutics to licence Wafermine and other sublingual ketamine wafer products that target acute pain and potentially treat complex pain syndrome and depression. This is one of the products that utilises iX's proprietary WaferiX technology in its pharmaceutical pipeline that has completed Phase 2 trial. Under the deal, iX will receive US\$9m upfront fee, future development and milestone payments of US\$239m, and double-digit percentage royalties on future product sales. Seelos will fund all future development, manufacturing and commercialisation of the licenced products. The agreement is significant to iX because: 1) it attests to the validity of the product; 2) frees iX from incurring further development costs; 3) the product is now cash flow generative; and 4) this is possibly the first SGX-listed company that brings a pharmaceutical product to Phase 3 and commercialisation. iX plans to spin-off the WaferiX technology on the HKEX.

Jumbo's FY21 (Sep) net loss widened 44% to S\$11.8m and revenue fell 16.2%, as it weathered a full year of COVID restrictions in Singapore and China. This is a similar trend amongst the local F&B operators that

rely on tourists and dine-in patrons. In the last FY, only 3 were profitable – ST Group, RE&S and Old Chang Kee - if COVID supports were excluded. Besides lower ticket size, QSR concept and central kitchen have helped them ensure consistency, reduce food preparation time and shop space. They are also less susceptible to dine-in restrictions. ST Group, with 97% of revenue derived from Australia and New Zealand, stands to benefit from the lifting of border restrictions in Australia and New Zealand. From Dec, Australia will allow visa holders such as students and migrants to return. Overall, F&B operators are heading for brighter days assuming no U-turn in gradual re-opening and flight resumption.

Analysts' Notes

Digital Core REIT | The data centre-focused REIT is seeking to list on SGX by offering ~267m units (24%) at US\$0.88 per unit. Cornerstone investors will subscribe for ~414.8m units (37%) and the Sponsor will subscribe for ~428.8m units (39%) assuming over-allotment option is not exercised. The initial portfolio consists of 10 freehold data centres in US and Canada with an appraised value of US\$1.4b and a total NRSF of 1.2m. The current occupancy is at ~100% with a WALE of 6.4 years and a weighted annual rental escalation of 2%. NYSE-listed Digital Realty, a leading data centre owner, operator, developer and acquirer is the sponsor of the REIT. The sponsor will provide a global ROFR to Digital Core REIT and will co-invest in all future assets acquisition by taking a 10% stake. As at listing date, the REIT's gearing is around 27% (vs Keppel DC REIT's aggregate leverage of ~37%). The projected NPI yield is 4.8% and the forecasted distribution yield is 4.75% for 2022. The unaudited pro forma NAV is at US\$0.84 per unit, translating to a PB of 1.05x. Comparatively, Keppel DC REIT is trading at an annualised distribution yield of 3.96% and a PB of 1.93x.
(Lam Wang Kwan)

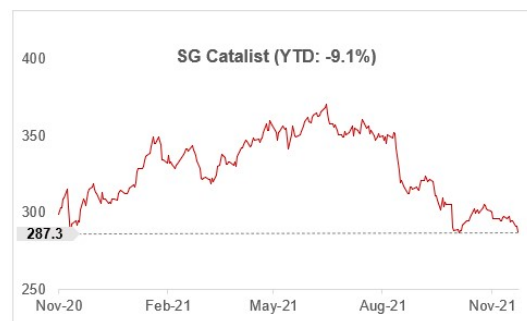
Mooreast Holdings | Mooreast listed on Catalist at a market cap of S\$57m, via issuance of 38.8m new shares (15% of enlarged share cap) at S\$0.22 to raise S\$8.5m. The company designs and fabricates mooring systems to keep offshore floating platforms in place. Its customers are from

Company News

Metal Component Engineering Limited (BBG: MCOM) through its subsidiary took on a 18.41% stake in Adazal Private Limited for ~S\$2.025m to be paid in cash and issuance of new MCOM shares. Adazal owns Triber, a social e-commerce platform founded in 2020 for group buying in Philippines. In 2021, Triber has partnered with GCash, Philippines's mobile wallet giant to allow payment to be done through GCash wallet. This allows ease of payment on the platform to over 46 million users of GCash's users.

VCPlus Limited (BBG: ACHR) is engaged by GENES Group of Companies to advise on the development and adoption of technology solutions including blockchain for the energy sector. GENES Group seeks to incorporate technology solutions to expand its suite of solutions aimed at energy management.

offshore O&G, marine and renewables industries. With the global transition to clean energy, Mooreast has allocated 52.7% of its gross IPO proceeds to grow the renewables division and develop fabrication capacities. EDBI holds a 11.4% stake post listing on conversion of convertible notes. Based on FY20 proforma financials and adjusted for the IPO, the issue was priced at PE of 21.6x and P/B of 2.7x, which is higher than Kim Heng's 1.1x P/B. Kim Heng is transiting to the clean energy space with several offshore wind farm contracts secured. (*Lim Shu Rong*)



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