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This is SAC weekly newsletter for 8 Dec 2021

Market Moves

The market received a shot in the arm with Pfizer and BioNtech's statement that three doses of their vaccine are effective at neutralizing the Omicron variant. The market is also cheered by China PBOC's cut in reserve requirement ratio, that released some RMB1.2tn to the banks, signaling the start of credit easing to help SMEs and consumption to recover. And ECB might delay its decision given the rise in virus cases and curbs in Europe. The ECB's governing council will meet on Dec 16 to decide whether to end its emergency bond purchases (PEPP) in March and how much debt to buy after that date.

China's Nov exports rose 22%, a tag lower than Oct's 27.1%, but imports growth was impressive at 31.7% (Oct +20.6%), led mainly by energy products. Import volume of raw materials, such as metal and soya beans, were also higher, implying higher industrial output in the coming months. Stronger trades and industrial production might support China's GDP growth, which has softened as property downturn weakens investments and consumption recovery.

REITs overwhelmed with new listings of Daiwa House Logistics Trust and Digital Core REIT, and placements of new units - CICT (S\$250m), First REIT (S\$131m), Manulife US REIT (S\$100m) and Mapletree Logistics' preferential offering (S\$293m). Top Glove obtained shareholders' approval to issue up to 793.5m new shares (~10% of existing shares) to raise HK\$4.24bn (RM2.27bn) for a dual-listing on HKEX. The company has net cash of RM2.05bn as at end Aug 2021. 4Q21 (Aug) net earnings fell 50% yoy due to decline in ASP and glove demand. ROIC could weaken with the additional equity, and raise supply concerns for the industry.

Stamford Land announced a 9 for 10 rights at S\$0.34 to raise S\$239m. This is 50% below NAV of S\$0.68 and 30% below the share price of S\$0.48 prior to the announcement. The major shareholders, which holds 45.9%, undertake to subscribe for 100% of shares not taken up. The proceeds will be used for potential development of properties in Australia and Singapore or redevelopment of existing Australian properties and other acquisitions. The news took the market by surprise, given that Stamford Land's net gearing was 0.5x as at Sep 21, and it announced earlier its intention to divest its hotel portfolio to achieve an asset-light capital structure.

The market expects a big rise in US CPI in November, to be announced on 10 Dec, after the 6.2%

increase in Oct. But this is not likely to jolt equity prices, given Fed Chair Powell's earlier testimony that it would be appropriate to accelerate the pace of taper. We think the reduction in asset purchases will last through March 2022.

Analysts' Notes

First REIT | First REIT is acquiring 12 Japan nursing homes from sponsor OUELH for S\$168m with underlying debt of S\$130.6m. The assets generate NPI yield of 5.1%, against current yield of 8.0%. The purchase will be paid in 431.1m new units (21% of enlarged share cap) at S\$0.305, S\$15.8m cash and S\$16.2m in inter-co balances. The issue price is below First REIT's NAV of 35.12 cents, and would lower NAV to 33.68 cents. Total debt will rise by 37.7% to S\$477.2m, but gearing will still be manageable at 36.4%. Average cost of debt fell 0.8% pt to 3.4% and has room to fall if it secures more lower-cost JPY debt. This would lift 1H21 DPU by 0.8% to 1.31 cents, or annualized DPU yield of 8.7%. The deal is marginally positive as it expands total assets by 29% to S\$1.3bn. OUELH's direct stake in First REIT will rise from 15.3% to 33.2%.

First REIT also received cash of S\$30.6m from the termination of a development work in Indonesia with PT Lippo Karawaci. (*Peggy Mak*)

Sunpower Group Ltd | A 28:42:30 joint venture is established between its subsidiary Zhangjiagang Yongxin Thermal Power ("Yongxin") and Suzhou Green Enthalpy Thermal Technology ("Suzhou Green") and Zhangjiagang Water Group for the production of steam using general solid waste. Suzhou Green is likely to supply the feedstock with its extensive experience in collecting solid waste in Zhangjiagang city. Although coal is used for some of its projects, the Group is engaging other substitutes such as biomass, blended sludge, treated wastewater etc wherever possible. Recycling waste as feedstock complements its green investments profile and further aligns with

Company News

SLB (BBG: SLB) is taking a 10% effective stake in the en-bloc purchase and redevelopment of Peace Centre into a 60:40 mixed commercial and residential development. The purchase price is S\$650m and together with lease top-up premium, the average cost is estimated at S\$1,443 psf ppr. The partners to the project are property developers Chip Eng Seng, Singhaiyi, KSH and Ho Lee Group.

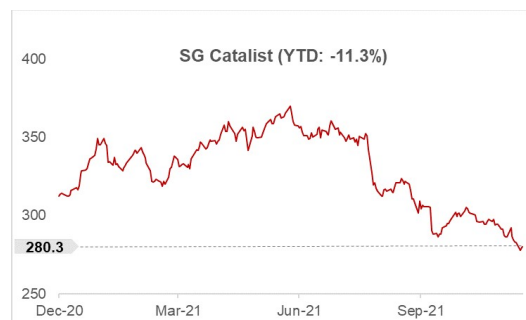
Maxi-Cash Financial Services (BBG: MCFS) proposed to issue 32m new shares (3% of enlarged share cap) at S\$0.162 to raise S\$5.1m. The proceeds will be used for the expansion of the secured lending business and pawnbroking business. At S\$0.162, it is priced at 1.2x P/B as at Jun 21 and 10.5x FY21 annualised PE.

Disa (BBG: DISA) entered into a licensing agreement with National University of Singapore and Singapore Health Services Pte Ltd. The two institutions will out-license the use of the new saliva-based COVID-19 ART technology to Disa, who will be responsible for obtaining the approval from relevant regulatory authority and commercialize the products. Disa intends to bundle it with a system that is capable of reading the results of ART cassette and authenticate and automate the delivery of tampered-free test results to the recipients or authorities.

OxPay Financial (BBG: OPFL) will offer Buy now, Pay later (BNPL) option for its online payment platforms in Malaysia following the partnership with IOU Pay (Asia). IOU Pay (Asia) has 20 years of experience in mobile banking and digital payment and currently provides BNPL

the Central government's objective of achieving carbon neutrality. *(Lim Shu Rong)*

services to consumers in Malaysia. The partnership enables BNPL option on the Group's online e-Invoicing, Quickpay and web payment acceptance platform "fastpay" app.



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