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This is SAC weekly newsletter for 15 Dec 2021

Market Moves

A slew of residential property cooling measures came into effect from 16 Dec, targeting at buyers of 2nd and subsequent property, and foreign buyers. Additional buyers' stamp duty (ABSD) for 2nd and subsequent units are raised by between 5 ppt to 15 ppt. Foreigners' ABSD will go up from 20% currently to 30% irrespective of number of units owned.

Developers' ABSD are raised by 10 ppt to 35%, of which 30% will be returned if the new projects are sold within 5 years after buying the site. This raises risks for developers and dampens appetite for en-bloc transactions, especially for larger sites. The authority also promised to step up supply of new homes. New HDB flats could top 23,000 units per year in 2022 and 2023, up 35% from 17,000 flats launched in 2021. Key beneficiaries are construction companies and building material suppliers. After two nasty years of COVID restrictions, re-opening ramp will lift volume and contract value.

Loan-to-value (LTV) for HDB loans is lowered from 90% to 85%, while those from financial institutions stayed at 75%. TDSR for all loans is lowered from current 60% to 55%. Interest rates on HDB loans are fixed at 2.6%, while rates offered by commercial banks are about 1.5% currently. The smaller gap between LTV might swing more borrowers to the banks. UOB has the highest exposure to mortgage loans (25% of total loans) among the three banks. And DBS had been gaining share in mortgage loans. Valuation-wise, the market is pricing in rate hikes in next 12 months. UOB looks attractive at 1x P/B and OCBC at 0.9x. DBS' P/B is highest at 1.4x.

Fed concluded at Wed's FOMC meeting that it would double the cut back on its asset-purchase program to US\$30bn a month, to phase out the purchases by Mar 2022. And up to 3 rate hikes might take place in 2022, a tailwind for the finance sector.

With the implementation of VTL, SIA added Nov capacity by 10.6% mom for passenger (pax) and 12.2% mom for cargo. It expects to raise pax capacity in Dec to 45% of pre-COVID levels, and to 47% in Jan 2022. Load factor for pax climbed by 9.2 ppt mom to 29.1%, driven by 61.6% mom increase in passenger miles, mainly on the long-haul routes. Cargo load factor, however, fell 3.3ppt mom to 83.9%, in part due to the higher mom capacity growth, but we also noted a decline in load factor to 75.2% (-16 ppt) on the

American traffic. It is still early to tell if this points to slower tech output. We prefer SIA Engineering, with a clearer path and earlier return to profitability.

Analysts' Notes

Hyphens Pharma | Hyphens Pharma signed an exclusive license and supply agreement with DKSH to commercialise Alvotech's Ustekinumab biosimilar products in Singapore, Malaysia and the Philippines. The products, which is undergoing clinical studies, are expected to complement the Group's dermatology focus and enhance the product offerings in the category. Hyphens will register the biosimilar in the 3 countries once the products pass their clinical studies and obtain necessary approval to be used commercially. We expect Hyphens to incur in-licensing fees and registration costs. *(Lam Wang Kwan)*

United Global | UGL's major shareholders launch a GO at S\$0.45 per share. This is 4.4% above book value of US\$0.317 as at Jun 2021. The undertaking shareholders hold in total 90.03% stake in UGL. They intend to delist the company. Since the sale of its 40% stake in its core lubricant business UOC to Repsol, UGL has embarked on various new businesses, which have yet to materialise. The 60%-owned lubricant JV continued to be main contributor to UGL under equity-account method. Our last target price for the stock was S\$0.445 per share. [\(link\)](#) *(Lam Wang Kwan)*

ParkwayLife REIT | ParkwayLife REIT is acquiring a 150-bed nursing home in Greater Tokyo Region in Japan for JPY 3,200m (~S\$37.9m). The purchase price is ~7.0% discount to the appraised value of the Property of JPY 3,400m (~S\$40.7m). The property is expected to generate a NPI yield of 5.9% as compared to the current yield of ~4.9% and it is expected to be DPU-accretive. The acquisition

Company News

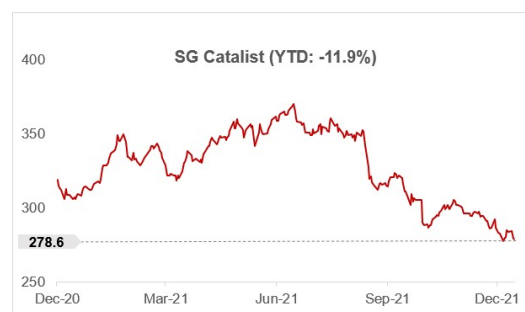
Totm technologies (BBG: YINDA) signed an exclusive cooperation agreement with PT Cakrawala Data Integrasi (CDI) to provide identity management solutions to SMEs in Indonesia. CDI has previously established a joint platform ("Platform Bersama") with Ministry of Home Affairs of Indonesia to provide end users with easy access to encrypted biometrics data., CDI will use the Group's products and services on Platform Bersama and share 60% of its biometric revenue with the Group. The agreement is valid for 5 years and extendable for another 5 years on mutual consent. Both has also entered into a loan agreement which sees the Group investing US\$3.75m in the form of convertible loan to CDI to develop Platform Bersama.

Sembcorp Marine (BBG: SMM) signed a contract with Bechtel Overseas Corporation for module assembly of a second LNG facility for Pluto LNG project. The new facility will expand current Pluto's processing capacity by ~5m tonnes per annum which allows for processing of 3rd party gas resources. The project is expected to be completed in 2024.

Asian Healthcare Specialists (BBG: AHSP) placed out 30.9m new shares at S\$0.162 each to raise S\$5m. The new shareholder is Sian Chay Medical Institution which will hold a 5.34% stake in AHS. The deal will raise net cash by 64% to S\$12.5m.

will be fully funded by JPY debts, increasing the REIT's leverage ratio from 34.9% to 36.0%. (*Lam Wang Kwan*)

SembCorp Industries | Sembcorp Industries' wholly-owned subsidiary is building Europe's largest 360MW battery energy storage system at Wilton International on Teesside. Given the growing deployment of renewables sources to meet UK's net zero target, the construction of the large-scale storage system will help to ensure reliability and security of energy supply coming from these sources. Countries that are building their renewables capacities would have to strengthen their grid infrastructures to prevent power overloads. Vietnam, for instance, had to reduce solar output in Jan due to an oversupply which exceeded its transmission lines' capacities. As such, we expect more investment in power infrastructures. (*Lim Shu Rong*)



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