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This is SAC weekly newsletter for 25 May 2022. Thank you for reading.

### Market Moves

Singapore 1Q2022 GDP came in at 3.7%, higher than the advance estimate of 3.4%. MTI maintains its 2022 GDP estimate at 3 - 5%, but guided that it could come in at the lower end of the range. We maintain our projection of 3.5%. Border reopening in the regional economies and still robust global demand for semiconductors would be the growth drivers for the rest of the year, while interest rates and policy tightening in Asean might shave demand and output for goods and services. The broader growth in the developed economies is also slowing, and could slow further, gauging from US Apr ISM Manufacturing new orders index, which fell further to 53.5, from Mar's 53.8 and Feb's 61.7.

Apr CPI stayed elevated at 5.4% yoy (Mar: 5.4%), and has not yet peaked, in our view. This is at the higher end of MTI's CPI target of 4.5-5.5%. Food prices were up 4.1% yoy, and have risen mom since April 2021. Several countries have imposed export curbs on food items (cooking oil from Indonesia, live poultry from 1 June from Malaysia, and sugar from India). The strong S\$ vs regional currencies would mitigate but unable to fully absorb the impact of the supply shock. Central banks in the region are also pivoting to more hawkishness, piling on inflationary pressure onto the local market.

Negative real bond yield, at -2.6%, is weighing on the markets. On a slightly positive note, we expect higher loans demand for the banks with falling liquidity from PE and bonds. Still, higher prices could dent corporates' earnings growth and margins, and raise recessionary risks.

### Analysts' Notes

**Uni-Asia Group <1Q update>** | Charter rate for its handysize bulkers remains on an uptrend as management guided that April average day rate is above the previous 2 quarters of US\$18,674/day. Some vessels will be due for dry docking in 2Q. Under its property business, office market in HK is impacted by border closure which reduces the uptake of office space by Chinese companies. Existing vacancy (Grade A office) stands at 9.8% or ~6m sq ft, above 7.2% of late 2020. With new supply of ~11m sq ft coming onstream from 2022-2025, sale prices would further come under pressure. Currently, the Group has yet to sell any below cost. As for its Alero residential projects in Japan, a weaker yen is driving foreign investment into the country, intensifying competition and raising land costs. Slower development is expected on this front as management look for projects that yield quality returns. The Group has pared down its total debt to US\$80.4m. Most of its loans are pegged to floating rates. **(Lim Shu Rong)**

**QUE Lippo Healthcare** | is acquiring an effective 21.6% of 3 medical specialist groups for S\$11.2m, and

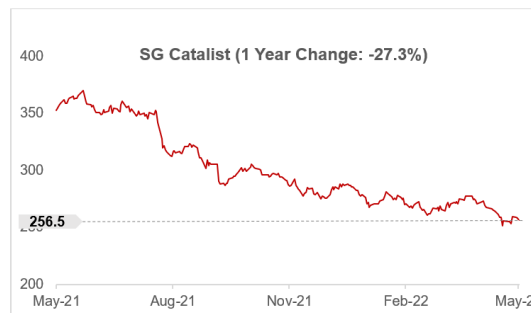
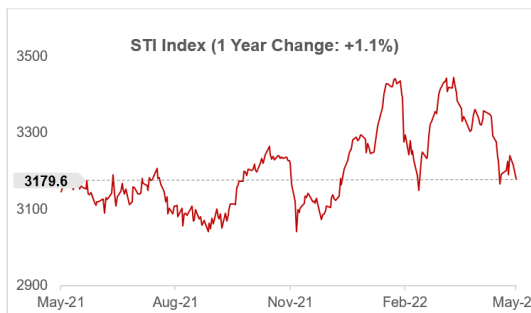
expand OULH's presence in Singapore with 11 specialist doctors operating in 10 clinics. The doctors will sign 8-year service contracts.

The acquisition is priced at ~ 7x FY21 P/B and ~ 5x P/E, and ~9x P/B and ~7x P/E if earn-out is included. This compares well with recent acquisitions of medical clinics by ISEC and Singapore Paincare, which were priced at average ~9x P/B and ~11x P/E. We estimate this could add 1% to OUELH's FY21 earnings, or 9% if we exclude the one-off gains in FY21. OUELH trades at FY21 P/B of 0.5x and P/E of 12x excluding one-off gains. **(Lam Wang Kwan)**

**TTJ <Privatisation offer>** | Chairman Mr Teo, who owns 84.4% stake, is offering to take the company private at S\$0.23/share, or market cap of S\$80m. The offer is conditional on him gaining more than 90% stake. The offer price is 37.5% below book value of S\$0.37/sh. TTJ has net cash of S\$0.083, which we estimate will rise to S\$0.12 when it receives the sale proceeds of the JB facilities. The structural steel business was hurt by COVID lockdowns in the last 2 years, but the outlook for the construction sector has improved. TTJ has grown its orderbook by 57% to S\$187m from S\$119m at end Sep 21.

Industry-wide, construction contracts awarded in 2021 rose 42.2%, which will translate into construction output in 2022. And BCA expects contract awards to be maintained at S\$27-32bn for 2022, and S\$25-32bn per year from 2023 -2026. **(Peggy Mak)**

**Procurri <General Offer>** | Largest shareholder Declout raised its stake to 30.8% (from 29.4%) and is required to launch a GO for the rest of the shares at S\$0.425/sh. Declout intends to maintain the listing status, and hence is unlikely to revise the offer price in the absence of a competing bid. The offer is priced at 2.2x P/B and 28.1x FY21 PE (or 65x excluding government grants). Novo Tellus remains the second largest shareholder with a 19.4% stake. **(Peggy Mak)**



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