

MARKET NEWS

US stocks were lower after the close on Tuesday, as losses in the energy, financials and industrials sectors led shares lower. At the close of the NYSE, the DJIA fell 1.36% while the S&P 500 index was down 0.87%, and the NASDAQ Composite index slid 0.09%. Falling stocks outnumbered advancing ones on the NYSE by 2,488 to 889 and 119 ended unchanged; on the Nasdaq Stock Exchange, 2,627 declined and 1,623 advanced, while 189 ended unchanged. (Source: WSJ, CNBC)

During the last trading session, the FSSTI index slid 38.14pt to 3,144.27. Among the top active stocks were Golden Agri-Resources (+2.0%), Jiutian Chemical (-3.1%), Sembcorp Marine (-3.1%), Genting Singapore (-3.6%) and UMS (-5.9%). The FTSE ST Mid Cap Index fell 1.2% while the FTSE ST Small Cap Index was down 1.2%. The broader market saw 173 gainers and 353 losers with total trading value of S\$1.72b.

WHAT'S IN THE PACK

Singapore Company Update:

NetLink NBN Trust - 4QFY21: Within expectations; resilient demand for fibre connectivity; stock offers a sustainable dividend yield of 5%.

(NETLINK SP/BUY/S\$0.98/Target: S\$1.08)

4QFY21 core net profit (excluding a S\$7.4m one-time write-off) rose 17% yoy due to stable revenue base and lower finance cost. FY21 core net profit of S\$102.2m (+9% yoy) was within expectations. The group declared a final DPU of 2.55 S cents. Maintain BUY...

Propnex - 1Q21: Strong set of results sets up the company for further upside in 2021.

(PROP SP/BUY/S\$1.10/Target: S\$1.34)

Propnex's 1Q21 net profit jumped 97% yoy to S\$16.2m which beat our estimates on a run-rate basis. Across the board, the company's business segments did well, and with transaction volumes and prices for both private and HDB resale continuing to record multi-year highs...

Riverstone Holdings - 1Q21: Strong earnings beat; strength of cleanroom gloves underappreciated.

(RSTON SP/BUY/S\$1.32/Target: S\$1.75)

Riverstone's 1Q21 net profit of RM523m (+1,022% yoy/+58% qoq) beat our estimate by >100%, due to higher-than-expected ASP and net margin. ASP

uptrend continues into 1Q21, as demand continues to outpace supply. We think that Riverstone's cleanroom gloves stand a good chance of maintaining favourable ASP beyond the pandemic, given its unique selling points. Riverstone targets to increase its capacity by 1.5b pieces a year up to 2023 to reach 15b pieces. We raise our target price by 2% to S\$1.75. Maintain BUY...

HK/ China Sector Update:

Education - Finalising law on promoting private school development.

The China Association for Non-Government Education (CANGE) recently published a law on "Promoting Private School Development" (民促法) which will be effective starting 1 Sep 21. The law clearly defines several...

Singapore Technical Analysis:

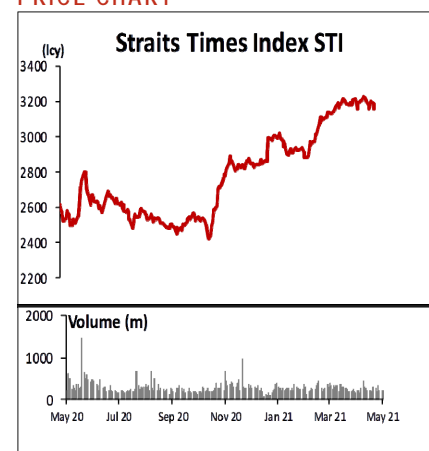
Frasers Logistics & Commercial Trust (FLT SP) - Trading BUY

The price has been consolidating in a rectangle pattern since 19 Mar 21. Both of the Bollinger bands are expanding now after the squeeze, hinting at high volatility ahead...

Dairy Farm International (DFI SP) - Trading BUY

This stock managed to stay above the middle Bollinger band, also known as the 20-day moving average. The MACD has remained bullish with both of its lines above the zero line...

PRICE CHART



KEY INDICES

	Prev Close	1D %	YTD %
DJIA	34269.2	(1.4)	12.0
S&P 500	4152.1	(0.9)	10.5
FTSE 100	6948.0	(2.5)	7.5
AS30	7331.6	(1.2)	7.0
CSI 300	5023.1	0.6	(3.6)
FSSTI	3144.3	(1.2)	10.6
HSCEI	10431.6	(2.1)	(2.9)
HSI	28013.8	(2.0)	2.9
JCI	5938.4	(0.6)	(0.7)
KLCI	1577.6	(0.4)	(3.0)
KOSPI	3209.4	(1.2)	11.7
Nikkei 225	28608.6	(3.1)	4.2
SET	1578.9	(0.6)	8.9
TWSE	16583.1	(3.8)	12.6

BDI	3254	0.4	138.2
CPO (RM/mt)	4715	(1.1)	24.5
Brent Crude (US\$/bbl)	69	0.3	32.3

Source: Bloomberg

TOP VOLUME

Company	Price (\$)	Chg (%)	Volume ('000s)
Sembcorp Marine	0.19	(3.1)	150,983
Golden Agri-Resources	0.26	2.0	70,084
Genting Singapore	0.81	(3.6)	57,078
Yangzijiang Shipbuilding	1.48	0.3	56,750
Oceanus Group	0.04	(2.8)	47,309

TOP GAINERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Golden Agri-Resources	0.26	2.0	70,084
Hongkong Land Holdings	4.91	1.0	3,558
Keppel Reit	1.20	0.8	9,149
Riverstone Holdings	1.32	0.8	4,553
Ascendas India Trust	1.37	0.7	1,554

TOP LOSERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Oxley Holdings	0.24	(4.0)	1,396
Genting Singapore	0.81	(3.6)	57,078
Thomson Medical Group	0.09	(3.4)	31,283
SIA Engineering Co	2.14	(3.2)	1,185
Ifast Corp	6.12	(3.2)	1,636

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TRADERS' CORNER



Fraser's Logistics & Commercial Trust (FLT SP)

Trading Buy Range: S\$1.49-1.50

Last price: S\$1.48

Target price: S\$1.57 / 1.70

Protective stop: S\$1.44

The price has been consolidating in a rectangle pattern since 19 Mar 21. Both the Bollinger bands are expanding now after the squeeze, hinting at high volatility ahead. The MACD remains bullish and a bullish crossover is likely. We could see price continuing its upward momentum to move higher.

The potential upside targets are S\$1.57 and S\$1.70. Stops could be placed at S\$1.44.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)



Dairy Farm International (DFI SP)

Trading Buy Range: US\$4.45-4.46

Last price: US\$4.36

Target price: US\$4.70

Protective stop: US\$4.28

This stock managed to stay above the middle Bollinger band, also known as the 20-day moving average. The MACD has remained bullish with both its lines above the zero line. These could increase chances of the stock price resuming its upward momentum to move higher.

The potential upside target is US\$4.70. Stops could be placed at US\$4.28.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of US\$5.19.

ANALYST(S)

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FROM THE REGIONAL MORNING NOTES...

NetLink NBN Trust (NETLINK SP)

4QFY21: In Line; Resilient Demand For Fibre Connectivity

4QFY21 core net profit (excluding a S\$7.4m one-time write-off) rose 17% yoy due to a stable revenue base and lower finance cost. FY21 core net profit of S\$102.2m (+9% yoy) was within expectations. The group declared a final DPU of 2.55 S cents. Maintain BUY with an unchanged DCF-based target price of S\$1.08. The stock offers a sustainable dividend yield of 5% for FY22-24. In our view, the stock is defensive amid market volatility.

4QFY21 RESULTS

Year to 31 Mar (\$m)	4QFY21	qoq % chg	yoy % chg	FY2021	yoy % chg
Revenue	92.2	(2.8)	(0.3)	368.5	(0.5)
EBITDA	60.3	(14.0)	7.5	270.2	4.6
EBITDA Margin (%)	65.5	(8.5pp)	+4.8pp	73.3	+3.5pp
Adjusted EBITDA Margin (%)	73.5	(0.5pp)	(3.9pp)	75.4	+1.1pp
Profit Before Tax	21.1	(10.6)	->100	91.6	27.1
Profit After Tax	25.3	2.4	+>100	94.8	21.4
Core PAT	32.7	32.4	17.3	102.2	9.3

Source: NetLink, UOB Kay Hian

RESULTS

- FY21: Within expectation.** NetLink NBN Trust (NetLink) delivered 4QFY21 core net profit of S\$32.7m (+17% yoy, +32% qoq). 4QFY21 core net profit excludes a S\$7.4m one-time write-off of capitalised IT system replacement contract as compared with S\$15.4m in 4QFY20. All in, FY21 core net profit surged 9% yoy to S\$102.2m, accounting for 104% of our full-year forecast, within expectations. The good set of FY21 core earnings was driven by a resilient top-line (flat yoy), good cost control as EBITDA margin expanded by 1ppt yoy, lower finance cost (-45% yoy) and a higher government grant (FY20: S\$1.7m, FY21: S\$3.7m). This was partly offset by lower installation-related and diversion revenue as fewer construction activities have been carried out ytd due to the COVID-19 pandemic.
- The group declared a final DPU of 2.55 S cents,** bringing full-year DPU to 5.08 S cents. This translated to an attractive dividend yield of 5.1%.
- Resilient demand for fibre connections.** NetLink recorded 1% yoy growth (flat qoq) in residential fibre connections to 1.447m in 4QFY21. Non-residential fibre connections also rose 1% yoy (flat qoq) to 48,100, while non-building access point (NBAP) connections grew 19% yoy and 6% qoq to 1,996. The resilient performance suggests strong underlying demand for fibre services amid rising data consumption. As such, recurring revenue was higher, accounting for 93% of FY21's revenue (FY20: 91%).

KEY FINANCIALS

Year to 31 Mar (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	370	368	373	381	390
EBITDA	253	261	264	273	276
Operating profit	85	93	108	113	120
Net profit (rep./act.)	78	95	100	104	110
Net profit (adj.)	94	102	100	104	110
EPS (S\$ cent)	2.4	2.6	2.6	2.7	2.8
PE (x)	40.8	37.4	38.3	36.6	34.8
P/B (x)	1.3	1.4	1.4	1.5	1.5
EV/EBITDA (x)	17.1	16.5	16.3	15.8	15.6
Dividend yield (%)	5.2	5.2	5.1	5.2	5.2
Net margin (%)	21.1	25.7	26.7	27.4	28.2
Net debt/(cash) to equity (%)	17.1	17.6	18.6	19.4	20.4
Interest cover (x)	12.3	23.1	13.7	14.1	14.3
ROE (%)	2.6	3.3	3.6	3.9	4.3
Consensus net profit	-	-	95	98	n.a.
UOBKH/Consensus (x)	-	-	1.05	1.07	n.a.

Source: NetLink NBN Trust, Bloomberg, UOB Kay Hian

- **FY21 adjusted EBITDA margin inched up 1ppt yoy to 75.4%**, after stripping out the one-time write-off of capitalised project cost (related to a discontinued IT system replacement contract). This reflects: a) lower operations and maintenance costs due to reduced usage of contractor resources, b) lower installation and diversion costs, and c) higher COVID-19-related grants from the government. Together with a lower finance cost (-45% yoy) on lower average interest rate, FY21's core net profit was S\$102.2m (+9% yoy)

REVENUE BY SEGMENT

	4QFY21	qoq % chg	yoy % chg	FY2021	yoy % chg
Revenue Breakdown ('000):					
Residential connections	59,539	(2.7)	1.0	237,963	2.8
Non-residential connections	7,650	(1.6)	(3.4)	30,395	(2.6)
NBAP and Segment connections	2,212	1.4	21.1	8,876	22.5
Co-location revenue	4,793	(2.8)	(3.5)	19,249	(5.9)
Installation related revenue	4,147	1.7	11.6	16,624	(19.0)
Diversion income	2,120	(14.0)	(41.2)	8,550	(23.2)
Total Fibre Business Revenue	80,461	(2.6)	(0.7)	321,657	(0.1)
Ducts and manhole service revenue	7,189	(4.0)	(1.9)	28,721	(5.2)
Central Office revenue	4,516	(4.8)	9.8	18,088	1.3
Total Ducts, Manholes and Central	11,705	(4.3)	2.3	46,809	(2.8)
Total Revenue	92,166	(2.8)	(0.3)	368,466	(0.5)

Source: NetLink, UOB Kay Hian

STOCK IMPACT

- **NBAP benefitting from digitalisation...** For 4QFY21, Netlink grew NBAP connections by 19% yoy and 6% qoq to 1,996 connections. This segment will continue to benefit from the ongoing Smart Nation initiatives as the government continues to encourage higher productivity through digitalisation. A smart housing estate, for example, will require fibre to connect sensors, WiFi hotspots and outdoor infrastructure (part of NBAP connections) which will pave the way for future smart applications in a smart nation ecosystem.
- **...and 5G roll-out since Jan 21.** As Singapore has rolled out its 5G network since Jan 21, NetLink is expected to benefit from higher NBAP connections due to network densification requirements. In essence, fibre is required to deliver the high speed and low latency characteristic of 5G technology. We expect the 5G nationwide licensees like the StarHub and M1 consortium, as well as the localised licensee TPG to work closely with NetLink to provide comprehensive fibre infrastructure to minimise total 5G capex.
- **Strong balance sheet.** Gross debt/EBITDA stood at 2.5x. This implies sufficient debt headroom for the group to finance further expansion, assuming NetLink keeps within the threshold of 4x for gross debt/EBITDA.

EARNINGS REVISION/RISK

- No change to earnings.

VALUATION/RECOMMENDATION

- **BUY on share price weakness with a DCF-based target price of S\$1.08** (cost of equity: 6.2%, terminal growth: 1.8%). At our target price, the stock trades at 16x FY22F EV/EBITDA, slightly above its three-year mean EV/EBITDA of 15x. We like the stock for: a) its good earnings visibility, b) attractive dividend yields, and c) potential earnings upside as NetLink stands to benefit from 5G rollout. The stock offers a dividend yield of 5% for FY22-24.

SHARE PRICE CATALYST

- **Key catalysts include:** a) 5G beneficiary – more opportunities arising from mobile operators' fibre network densification demand; b) growth in demand for NBAP connections with the roll-out of 5G/Smart Nation initiatives; and c) investors seeking defensive yield from NetLink's resilient, predictable and transparent and regulated cash flows.

FROM THE REGIONAL MORNING NOTES...

Propnex (PROP SP)

1Q21: Strong Results; Setting Up For More Upside In 2021

Propnex's 1Q21 net profit jumped 97% yoy to S\$16.2m which beat our estimates on a run-rate basis. Across the board, the company's business segments did well, and with transaction volumes and prices for both private and HDB resale continuing to record multi-year highs, the outlook remains favourable. In the near term, cooling measures remain the key risk. Maintain BUY. Raise target price to S\$1.34.

1Q21 RESULTS

Year to 31 Dec (S\$m)	1Q20	1Q21	% chg yoy	Remarks
Revenue	135.62	220.58	62.6%	Due to increased transaction volume, especially from new launches that were attractively priced and well located.
Gross Profit	15.07	23.28	54.5%	
NPAT	8.22	16.18	96.7%	
PATMI	7.58	14.83	95.7%	
EPS (cents/share)	2.050	4.010	95.6%	
GP margin	11.1%	10.6%	-0.5ppt	
NPAT margin	6.1%	7.3%	+1.2ppt	

Source: Propnex, UOB Kay Hian

RESULTS

- **Profits coming through strongly.** Propnex reported a 63% yoy rise in revenue to S\$221m, which generated a 97% yoy jump in net profit to S\$16m and contributed 58% of our prior full-year forecast. The company noted that it typically sees a slower 1Q in terms of transaction volumes, but 1Q21 was unusually strong. During the results call, management attributed this to improved market sentiment, a successful COVID-19 vaccine roll-out domestically, availability of ample liquidity and "attractively priced" new project launches.
- **Phase 2 unlikely to adversely affect business.** Propnex's recent share price weakness may be attributed to Singapore re-entering Phase 2 due to its increased COVID-19 community infections. In management's view, this should have a very limited effect on its business as the property market and Propnex are now used to a 'semi-virtual business' where clients pre-select properties via a video tour and then narrow down their choices prior to a property visit, thus cutting down on transaction time.
- **Cooling measures unlikely in May or June.** Management shared our view that cooling measures are likely, but that such measures will be targeted in nature as the pace of the economic recovery remains uncertain at present. Nevertheless, the Total Debt Servicing Ratio may be tightened to engender greater prudence in such uncertain times.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2019	2020	2021F	2022F	2023F
Net turnover	420	516	631	600	607
EBITDA	28	40	63	49	49
Operating profit	24	37	60	46	46
Net profit (rep./act.)	20	29	48	37	37
Net profit (adj.)	20	29	48	37	37
EPS (S\$ cent)	5.4	7.9	13.0	10.0	10.0
PE (x)	20.3	14.0	8.5	11.0	10.9
P/B (x)	5.9	4.8	4.1	3.7	3.4
EV/EBITDA (x)	9.7	6.8	4.4	5.6	5.6
Dividend yield (%)	3.2	5.0	8.2	6.4	6.4
Net margin (%)	4.8	5.6	7.6	6.2	6.1
Net debt/(cash) to equity (%)	(117.7)	(125.1)	(140.0)	(134.1)	(122.2)
ROE (%)	29.4	37.8	52.2	35.5	32.1
Consensus net profit	-	-	34	30	31
UOBKH/Consensus (x)	-	-	1.43	1.24	1.21

Source: Propnex, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Recent strong property transaction volumes underpin 2Q and 3Q results.** During the analyst call, management revealed that it generated S\$100m in sales last weekend (8-9 May). For the rest of 2021, the outlook remains bright for the project marketing segment in particular as the company is represented in 26 out of 29 new launches, which implies exposure to 9,017 potential apartment sales out of 9,194 available. In addition, we highlight that Singapore's unsold private homes in the pipeline have declined by 41% in the past two years to 21,602, which could explain the current high levels of demand.
- **Foreign buying still a factor.** Propnex disclosed that out of the seven sold units of the high-end Park Nova project (developed by Shun Tak Holdings), six were sold to foreigners. This indicates that for a certain segment of the market, foreign purchases continue to be a major factor despite the various taxes and duties that clearly do not represent a hurdle. Apart from the usual Hong Kong and mainland Chinese clients, the company stated that a reasonable minority of its clients hail from Indonesia and other Asian markets such as Vietnam, Cambodia and Myanmar.
- **En bloc revenues – Another near-term source of growth.** During the results briefing, management disclosed that it has a number of small en bloc projects of S\$20m-30m each that could come to the market in the medium term. In addition, it has been appointed for others that are range between S\$300m to >S\$500m; however, they have not achieved the 80% approval from the residents but could look to announce some positive developments in the next few months. Thus, en bloc represents a new growth angle for Propnex in the next 2-4 quarters. Interestingly, the company has been rejecting some en bloc projects as it believes that these are overpriced. On the demand side, we note that a number of Singapore developers have landbanking needs given that they are running out of stock and thus need to replenish.

EARNINGS REVISION/RISK

- **Upgrading estimates.** We raise our 2021-23 EPS forecasts by 32-89% to take into account better-than-expected new sales volumes seen in 1Q21 and 2Q21 qtd as well as stronger-than-expected profit margins. On our estimates, this should translate to robust profits in 2Q21 and into 2H21. Our new forecasts also take into account the higher-than-expected market share that PropNex has been able to command, which will invariably bring scale advantages to its overall business and engender cost savings, in our view.
- **Regulatory risk.** The key risk to our call remains government intervention to cool down property prices. With March and April having seen price increases of 9.5% and 10.8% yoy respectively, the regulatory risk appears heightened in our view.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$1.34** (previously: S\$0.97). Our new target price is pegged to an average of our 2021 and 2022 ex-cash PE multiple of 8.7x which is 1SD above the company's historical average. We have elected to lower our target PE multiple from 10.2x (or 1.5SD above mean) given the near- to medium-term risks from potential cooling measures. We believe that there is still upside to Propnex's share price as the strong transaction volumes in 1Q21 will only be reflected in the coming two quarters. In addition, we have not factored in any incremental revenues from its new en bloc business.

SHARE PRICE CATALYST

- Continued positive newsflow on the HDB resale market and private resale volumes.

FROM THE REGIONAL MORNING NOTES...

Riverstone Holdings (RSTON SP)

1Q21: Strong Beat, Strength Of Cleanroom Gloves Underappreciated

1Q21 net profit of RM523m (+1,022% yoy/+58% qoq) beat our estimate by >100%, due to higher-than-expected ASP and net margin, as demand continues to outpace supply. We believe that Riverstone's cleanroom gloves stand a good chance of maintaining favourable ASP beyond the pandemic, given its unique selling points. Riverstone targets to increase its capacity by 1.5b pieces a year to 15b pieces in 2023. We raise our target price to S\$1.75. Maintain BUY.

1Q21 RESULTS

Year to 31 Dec (RMm)	1Q21	1Q20	yoy% chg	1Q21	4Q20	qoq% chg
Revenue	1,032.3	279.4	270%	1,032.3	720.9	43%
Gross Profit	708.3	67.1	955%	708.3	448.3	58%
Profit Before Tax	683.9	58.0	1,080'	683.9	433.7	58%
Net Profit to Equity Holders	522.7	46.6	1,022'	522.7	331.1	58%

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

RESULTS

- **Strong beat in 1Q21 results as COVID-19 pandemic rages on.** Riverstone Holdings (Riverstone) reported robust 1Q21 results as both revenue and net profit surged on higher ASP's and overwhelming demand. 1Q21 revenue and net profit soared 270% yoy and 1,022% yoy respectively, forming 48% of our 2021 forecasts. Gross profit rose by 955% yoy as ASPs have risen sharply due to overwhelming demand. Despite ASP for cleanroom gloves in 1Q21 rising to around US\$100/'000pc, it has declined by 5% thus far in 2Q21.
- **Expect 2021 to be another record profit year.** We expect Riverstone to achieve a record net profit of RM1.6b (+144%yoy) in 2021 as ASPs continued their uptrend into Mar 21 for both healthcare and cleanroom glove segments. In 2020, ASP for healthcare gloves increased by around 80% yoy. For 2021, we expect ASP to increase by around 83% yoy before starting to decline by 30% yoy in 2022. On the other hand, we expect ASP for cleanroom gloves to increase around 41% yoy in 2021 before starting to decline by 40% yoy in 2022.
- **Riverstone's cleanroom gloves stand a good chance of maintaining a favourable ASP beyond the pandemic,** given its unique selling points which include: a) high barrier of entry given the technological know-how, especially the low electrostatic discharge (ESD) requirement for the high-end cleanroom gloves, b) niche market that is too small for competitors to enter, and c) cleanroom gloves make up of a small % of overall production cost for end-users.

KEY FINANCIALS

Year to 31 Dec (RMm)	2019	2020	2021F	2022F	2023F
Net turnover	989	1,830	3,454	2,658	2,364
EBITDA	206	894	2,108	1,135	817
Operating profit	158	842	2,049	1,072	817
Net profit (rep./act.)	130	647	1,577	825	629
Net profit (adj.)	130	647	1,577	825	629
EPS (sen)	8.8	43.7	106.4	55.7	42.5
PE (x)	46.4	9.4	3.8	7.3	9.6
P/B (x)	7.6	4.5	2.3	2.1	1.9
EV/EBITDA (x)	21.4	4.9	2.1	3.9	5.4
Dividend yield (%)	0.9	5.4	9.1	6.6	4.8
Net margin (%)	13.2	35.4	45.7	31.1	26.6
Net debt/(cash) to equity (%)	(14.9)	(47.2)	(63.4)	(69.2)	(72.6)
Interest cover (x)	n.a	n.a	n.a	n.a	n.a
ROE (%)	17.4	60.3	79.5	30.0	21.0
Consensus net profit	-	-	990	618	507
UOBKH/Consensus (x)	-	-	1.59	1.34	1.24

Source: Riverstone, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Cleanroom gloves a surprise winner from COVID-19.** Riverstone's cleanroom gloves segment has emerged as the main beneficiary of the ongoing COVID-19 pandemic. The segment has seen sales volume increase by around 40% yoy in 1Q21, with an expected 25% yoy growth for 2021. Riverstone's main cleanroom gloves competitors - Ansell and Kimberly Clark - have shifted their cleanroom gloves production lines to healthcare gloves. An expected hike in Jun 21 should increase ASP to above US\$110/000pc (usual ASPs pre-COVID-19: US\$60/000pcs).
- **Expect demand for gloves to remain high in the foreseeable future.** In the near to medium term, Riverstone expects demand for healthcare examination gloves to remain robust as healthcare systems around the world continue to fulfil immediate supply shortfalls as well as replenish reserves. Riverstone continues to differentiate itself from industry peers via its high-end cleanroom glove business which has experienced significant growth, driven by the advent of 5G technology and manufacturing industries including lenses, batteries and semiconductors.
- **Phase 6 capacity expansion completed; phase 7 on the way.** New capacity of 1.5b pcs from phase 6 expansion was fully commissioned in Dec 20, expanding total capacity to 10.5b pcs/year. Management has also guided that plans for phase 7 are being ramped up, with two double lines set to be commissioned in Jun 21 and one double line every month until Nov 21. This will bring total capacity to 12b pieces by 4Q21, with some customers already booking capacity from phase 7.

EARNINGS REVISION/RISK

- We raise our 2021 and 2022 earnings by 45% and 2% respectively to factor in the higher-than-expected ASP.

VALUATION/RECOMMENDATION

- **Maintain BUY with 2% higher PE-based target price of S\$1.75**, pegged to 9.6x 2022F PE. We have based our valuation at -1SD of Riverstone's long-term forward PE.
- We reckon supernormal earnings from the current upcycle in 2021 will eventually normalise in 2022.

SHARE PRICE CATALYST

- Multiple waves of COVID-19 infections.
- Better-than-expected ASP hike and operating leverage.

PEER COMPARISON

Company	Ticker	Rec	Price @ 11 May 21 (lcy)	Target Price (lcy)	Upside to TP (%)	Market Cap (US\$m)	PE			EV/EBITDA 2021 (x)	P/B 2021 (x)	Yield 2021 (%)	ROE 2021 (%)	Net Gearing (%)
							2020 (x)	2021 (x)	2022 (x)					
Hartalega	HART MK	HOLD	9.47	9.30	(1.8)	7,868	11.2	11.7	5.6	7.9	6.4	5.0	73.1	(46.4)
Kossan Rubber	KRI MK	BUY	4.15	5.00	20.5	2,572	9.8	3.4	5.7	2.4	2.4	10.1	91.1	(23.8)
Supermax	SUCB MK	HOLD	4.63	5.00	8.0	2,944	23.6	3.2	5.5	n.a.	2.9	9.4	135.7	(103.1)
Top Glove	TOPG MK	BUY	5.18	6.30	21.6	10,071	23.0	3.8	10.2	2.4	4.7	17.2	159.7	(49.4)
Average							16.9	5.5	6.8	4.2	4.1	10.4	114.9	(55.7)
Riverstone	RSTON SP	BUY	1.32	1.75	32.6	1,475	9.4	3.8	7.4	2.6	2.3	9.0	79.5	(14.9)

Source: Riverstone, Bloomberg, UOB Kay Hian

FROM THE REGIONAL MORNING NOTES...

Education – China

Finalising Law On Promoting Private School Development

The China Association for Non-Government Education (CANGE) recently published a law on “Promoting Private School Development” which take effect starting 1 Sep 21. The law defines key measures on post-K12 and K9 private schools albeit with a bipolar stance. We maintain **OVERWEIGHT** on higher private education and suggest staying away from K9 private education in view of the announcement. Our top pick is CEG in the higher private education space. Maintain **OVERWEIGHT** on the education sector.

WHAT'S NEW

- **Finalisation of law paves the way for private higher education growth.** The law on “Promoting Private School Development” (民促法) continues to be favourable towards the higher education segment as the law suggests encouraging provincial government support, donations, preferential tax treatment eg land use for school initiatives by higher private school operators are exempted from property & land tax as long as they adhere to the guidelines. We see no further restrictions on private higher education, which eliminates the policy uncertainty of the sector, which is expected to boost valuation recovery.
- **Post detachment of private school.** The law suggests that public schools that engage in K9 compulsory education are disallowed from participating in any activities related to private schools, and also cannot be converted into private schools. Meanwhile, private schools are also not allowed to use the government funds received by the public schools (from their mother school) to fund their school activities. Following the conversion from independent to private school, public schools are no longer allowed to collect school management fees from private schools. In terms of funding, the law encourages private funding, co-funding or partnership method in setting up private schools while discouraging the use of state-owned enterprise (SOE) resources.
- **Avoid K9 private education school companies.** The law (section 45) clearly points out that K9 private schools are prohibited from carrying out related party transactions (RPT) as opposed to K12 private higher education schools (in compliance with the law of fairness and transparency). In addition, section 13 also hinders K9 private schools from changing their business structure (ie shareholdings, via M&A deals, establishing management service agreement with subsidiaries) so that they can recognise a higher portion of tuition fees into their income statement. The law clearly defines the government’s intentions to retain the non-profit nature of the K9 segment (which will hinder K9 schools from trying to charge high fees) as they benefit from local government funding. As such, K9 companies like Maple Leaf Education and Wisdom Education, which often carry out RPT (via management consultancy and business corporation agreement with their entities) are likely to see their valuation remain under pressure in the near term.
- **Encouraging use of online teaching.** One of the key highlights of the law under section 16 encourages private education to adopt the online teaching format. The law proposes that private education be carried out in an online teaching format while emphasising the importance of data security and privacy concerns. We opine that this measure should benefit TAL and EDU in terms of technological capability in ie outsource online teaching technology to the private education players (with a potential lucrative revenue size of Rmb662b in 2021 according to Frost & Sullivan).

PEER COMPARISON

Company	Ticker	Rec	Price (LC)	TP	Upside/(Downside) to TP %	Mkt Cap (US\$m)	FY PE		FY EV/EBITDA		FY EV/Sales		ROE		P/B	
							2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	
K12 Private School																
Wisdom Education	6068 HK	NR	2.92	NR	NR	819	7.7	6.7	8.3	7.1	3.5	3.0	20.1	20.2	1.5	
China Maple Leaf	1317 HK	NR	1.78	NR	NR	686	6.7	5.8	8.7	7.6	3.3	3.0	12.9	13.2	0.8	
Average							7.2	6.3	8.5	7.4	3.4	3.0	16.5	16.7	1.2	
Post K12																
China Education Group	839 HK	BUY	19.28	22.00	14.1	5,642	23.9	19.9	18.7	15.7	9.9	8.6	14.7	15.7	3.4	
Edvantage Group	382 HK	BUY	8.20	11.00	34.1	1,131	19.1	10.6	12.7	9.7	6.2	4.9	19.4	21.9	2.9	
Average							21.5	15.3	15.7	12.7	8.1	6.8	17.1	18.8	3.2	

Source: Bloomberg, UOB Kay Hian

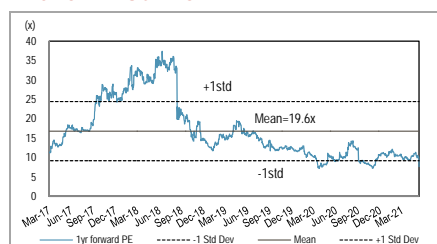
STOCK IMPACT

- **We like CEG (839 HK) for its leading position among higher private education companies.** We maintain BUY on China Education Group (CEG) for its fast organic growth potential (on the back of management's guided 100% yoy growth in FY21's bottom-line) as well as potential improvement in profitability from cost savings post conversion to independent schools. Our PE-based target price of HK\$22.00 is based on 22x FY22F PE, in line with the company's three-year historical average but higher than the industry's average given its presence as a market leader in the post-K12 education segment.
- **Maintain BUY on Edvantage group (382 HK)** given that the company is on a fast growth trajectory following its acquisition of Sichuan College. Management had guided for its FY22 revenue and bottom-line to grow by 100% compared with FY20 as it will benefit from: a) the consolidation of Sichuan College, and b) the annual cost savings from student management fees post conversion to independent schools will materialise in FY22. Our target price of HK\$11.00 is based on the company's 16x FY22F PE, which is higher than its historical average of 11x given the successful execution of its recent M&A deal.

SECTOR CATALYSTS AND RISK

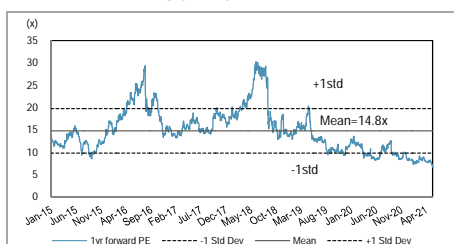
- **Catalysts.** a) Continued supportive governmental policies within the private higher education segment, b) market consolidation to benefit larger education players, and c) further growth in the penetration rate of lower-tier cities.
- **Risks.** a) Unfavourable policies, and b) prolonged overseas travel restrictions pressuring the overseas studies business.

WISDOM EDUCATION PE BAND



Source: Bloomberg, UOB Kay Hian

MAPLE LEAF EDUCATION PE BAND



Source: Bloomberg, UOB Kay Hian

PEER COMPARISON TABLE

Company	Ticker	Currency	Year End	Price (LC)	Mkt Cap (US\$m)	Calendarised PE			Calendarised EV/EBITDA			Calendarised EV/Sales			ROE		
						2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
K12 AST																	
TAL Education	TAL US	USD	02/2021	54.21	34,956	423.0	n.a.	43.0	n.a.	n.a.	44.9	7.9	5.6	4.1	6.4	0.2	5.6
New Oriental	EDU US	USD	05/2020	14.43	24,736	48.3	37.7	26.1	41.5	29.3	18.1	5.0	3.9	3.0	16.6	13.9	17.4
Koolearn Technology	1797 HK	HKD	05/2020	13.42	1,728	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	4.1	2.5	-21.7	-72.9	-39.1	
OneSmart	ONE US	USD	08/2020	2.43	392	n.a.	n.a.	12.2	23.5	9.8	6.5	1.4	1.1	0.9	-2.3	12.7	10.2
Puxin Ltd	NEW US	USD	12/2020	3.00	262	16.0	n.a.	n.a.	29.4	n.a.	n.a.	1.1	n.a.	n.a.	-6.5	n.a.	n.a.
Scholar Education	1769 HK	HKD	12/2020	6.66	477	24.0	18.9	13.6	21.0	13.5	9.5	3.7	2.7	2.0	13.9	21.5	26.9
RISE Education	REDU US	USD	12/2020	3.35	189	n.a.	7.2	6.5	n.a.	5.6	5.0	1.8	1.1	0.9	-19.3	22.4	26.7
Tarena International	TEDU US	USD	12/2020	3.80	213	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Four Seasons	FEDU US	USD	02/2020	1.01	47	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average						127.8	21.2	20.3	28.8	14.5	16.8	3.7	2.7	2.0			
K12 Private School																	
China Maple Leaf	1317 HK	HKD	08/2020	1.78	686	7.2	6.7	5.8	10.8	8.7	7.6	4.1	3.3	3.0	13.9	12.9	13.2
Wisdom Education	6068 HK	HKD	08/2020	2.92	819	9.5	7.7	6.7	10.1	8.3	7.1	4.3	3.5	3.0	19.5	20.1	20.2
China Yuhua	6169 HK	HKD	08/2020	7.45	3,218	20.4	15.2	13.3	15.3	11.4	10.4	8.0	7.2	6.5	18.1	31.5	30.5
Bright Scholar	BEDU US	USD	08/2020	5.17	617	12.9	11.8	8.7	8.1	8.2	6.9	1.7	1.5	1.3	10.1	10.5	12.5
Viscend Education	1565 HK	HKD	12/2020	1.36	541	9.6	8.5	6.2	9.8	7.6	6.3	3.4	2.6	2.2	13.7	14.9	17.9
Tianli Education	1773 HK	HKD	12/2020	5.01	1,397	22.9	17.3	12.0	16.6	11.7	8.3	7.2	4.9	3.5	13.1	14.1	17.0
Bojun Education	1758 HK	HKD	08/2020	0.60	63	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RYB Education	RYB US	USD	12/2020	2.94	81	n.a.	58.8	49.0	n.a.	12.7	12.0	1.2	0.6	0.6	-58.5	2.7	3.0
Average						13.7	18.0	14.5	11.8	9.8	8.4	4.3	3.4	2.9			
Post K12																	
China Education Group	839 HK	HKD	08/2018	19.28	5,642	31.7	23.9	19.9	25.3	18.7	15.7	13.3	9.9	8.6	12.9	14.7	15.7
China East Education	667 HK	HKD	12/2020	17.24	4,886	53.4	30.3	24.7	23.5	14.8	12.4	7.4	5.8	5.0	9.8	15.7	16.9
Hope Education	1765 HK	HKD	08/2020	2.42	2,486	n.a.	n.a.	14.0	n.a.	12.4	10.2	n.a.	6.9	5.7	n.a.	13.0	14.0
China Kepei Education	1890 HK	HKD	12/2020	5.70	1,479	15.9	12.5	10.2	12.6	10.0	8.2	9.7	6.8	5.6	19.0	20.7	21.2
China New Higher	2001 HK	HKD	12/2019	5.93	1,211	16.9	13.0	9.9	11.9	10.1	7.9	7.0	5.8	4.7	16.4	20.8	23.1
Edvantage Group	382 HK	HKD	08/2020	8.20	1,131	n.a.	n.a.	10.6	n.a.	12.7	9.7	n.a.	6.2	4.9	n.a.	19.4	21.9
Minsheng Education	1569 HK	HKD	12/2020	1.39	755	15.4	8.1	6.8	8.6	5.1	4.4	3.7	2.0	1.8	7.2	13.8	14.3
China Xinhua	2779 HK	HKD	12/2020	2.24	464	9.3	7.8	6.3	6.5	5.6	4.2	4.9	4.1	3.2	11.1	12.3	13.3
Huaili University	1756 HK	HKD	08/2020	2.29	354	7.4	5.6	4.6	8.8	7.1	5.9	4.8	4.0	3.4	12.3	12.2	13.9
Chunlai Education	1969 HK	HKD	08/2020	1.34	207	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21st Century	1598 HK	HKD	12/2020	0.63	95	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average						21.4	14.5	11.9	13.9	10.7	8.7	7.3	5.7	4.8			

Source: Bloomberg, UOB Kay Hian

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