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This is SAC's weekly newsletter for 6 July 2022. Thank you for reading.

Analysts' Notes

SG May retail sales rose 17.8% yoy and 1.8% mom sa. Excluding motor vehicles, it was up 22.6% yoy and 2.7% mom sa. COVID restrictions and travel quarantine rules were substantially lifted from late April. Benefitting from pent-up demand for group dining and price increases, F&B spendings rose 40.1% yoy, and 1.1% higher than May 2019, of which restaurants gained +66.0% yoy and food caterers +101.6%. Tourist spend also helped, though May tourist arrivals, albeit 8x higher yoy at 418,310, was just 28% of May 2019's level. This bodes well for restaurant operators such as Jumbo and Japan Food.

Return-to-office fuelled higher sales at department stores (+73.1% yoy) and for wearing apparel and footwear (+98.2%). This might wear off in the coming months. Similarly, more traffic on the road and higher petrol prices led to 45.8% yoy increase at petrol service stations. We expect retail sales growth to ease in 2H as pent-up demand wanes.

We expect 2Q GDP advance estimates, to be out on 14 Jul, at +4% yoy (1Q22: +3.7%), underpinned by re-opening, robust trade flows in April and May, and strong retail sales. *(Peggy Mak)*

iWOW Technology <Management Meeting> | iWOW is a technology provider specialising in the development of wireless IoT solutions. The Group designs its products in house and presently offers 4 IoT solutions namely Tracetogether token, Smart metering, Alarm alert system (AAS) and Electronic monitoring system (EMS). Its current clientele is mainly government agencies. The products are offered either via a subscription model with monthly payment or upfront sales with a subsequent O&M contract.

iWOW booked revenue of $$34.5m (+31%) and net profit of S$5m (+48%), adjusted for listing expenses (~S$1.2m), for FY22 ending 31 Mar. JSS support for the year was insignificant. (S$6k) Increased sales across all products contribute to its topline growth. Trace tokens account for a majority of its S$28m sales of Smart City Solutions. ~S$11m worth of tokens remains and will be delivered in 1H23. There is no cancellation of token orders. As at end June 22, the Group has an orderbook of S$56m, with EMS forming ~95% of the orders. Contract for EMS is over a 5-year period starting Feb 2022 with the option to extend for another 2 years. Its AAS contract is due for renewal by end of the year. The new tender is expected to be 3X larger. The Group believes it is able to secure the contract successfully.

iWOW has several products lined up in its pipeline including a smart diagnostic test kit as well as an improved version of its existing products. Its IoT solutions can also be deployed across multiple use cases, hence opening up opportunities for the Group to develop new revenue streams. The Group also stands to benefit from Singapore's push to become a Smart Nation which calls for greater digital interconnectivity. The authorities target to spend ~S$2b on projects that are adopting emerging technologies including IoT in 2022. *(Lim Shu Rong)*

Oxley Holdings <Management Meeting> | reported 13% and 46.2% yoy decline in revenue and NPAT in 1H22 (Dec), mainly attributed to lower contributions from Royal Wharf project in the UK and lower government grants. We expect higher revenue in FY23 with most Singapore projects set to obtain TOP by end 2022. Management articulated their plans to move out of developing countries such as Vietnam and Cambodia due to the uncertain market outlook which affects foreign buyers' interest in residential properties. In Malaysia, they are confident that their new mass market residential development projects (Section 16 and Trinity Wellnessa) can do well. However, we expect weak residential sales at Oxley Towers, as there is a lack of local demand for high-end residences.

Going forward, we think the management's focus will shift toward larger Riverscape and Connolly projects in the UK and Ireland as all its Singapore development projects will complete by end FY23. Management is cautious on the rising land prices and construction costs in Singapore, and will only replenish landbank when sufficient cash inflows from existing projects. The Group's Singapore hotels, currently designated for SHN purposes, would resume operations in September, to position for return of tourists to the large-scale events such as F1. Management however is opened to divestment if there is an attractive offer. *(Christopher Ong)*

Nippecraft <Asset Disposal> | Nippecraft sold a warehouse for US$2.04m, which is expected to book a gain of US$0.93m. This will raise its FY21 NAV to US$0.091/sh (S$0.125/sh). Net proceeds of US$1.94m will lift its net cash as at Dec 2021 to US$24.9m, or US$0.071/sh (S$0.098/sh), above current share price of S$0.052. The cash holding supports its core business of trading in paper products (89% of revenue) and production of stationery. The share trades at 0.42x P/B. *(Peggy Mak)*

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