Dim Sum Daily
每日港股簡評
11 October 2021

Kim Eng

Market Overview

Last Friday, China stocks markets and southbound capital resumed normal after long holiday, yet, their performance was not excited due to market's concerns on power outage. The Hang Seng Index experienced directionless with the rally in tech names, offset by the fall in power, shipping and healthcare sector. The Hang Seng Index was up 136pts to 24,837pts. With the inflow of southbound capital, daily turnover increased to HKD163.3b. Net Southbound capital amounted to HKD2.4b, of which Southbound capital flow into Tencent (700 HK) of HKD1.46b, Meituan-W (3690 HK) of HKD1.14b. This week, there will be only 4 trading days with Double Ninth Festival on 14 Oct (Thursday). Companies-news: (1) Meituan-W (3690 HK) was fined RMB3.44b for abusing its dominant market position through its "pick one from two" practice, the fine amount was less-than-expected, its ADR was 3% higher than its last closing price; (2) Lenovo (992 HK) application for A-share listing was terminated, which is likely to lead selling pressure in the near term; (3) COSCO Shipping (1919 HK) released positive profit alert for its 3Q and 9M21E results.

Sector News

Macau Gaming

Based on market on-the-ground checks during Golden Week Holiday, market estimates that the gross gaming revenue (GGR) would be c. MOP140m, which was only one-fifth of the May Golden Week, due to traffic control. Industry participants expressed that the demand was driven by certain players who travelled to Macau by flight (bypassing Zhuhai which has traffic control) before the domestic cases were detected in late-Sept. Looking ahead, there should be some pent-up demand returning toward the month-end, as many players have not been visiting Macau for long since Aug, and market expects the daily GGR to return to MOP280m in late-Oct. A full border opening and GGR recovery remain highly uncertain.

Company News

Man Wah (1999 HK)

An analyst downgraded the name to reflect growing operational headwinds. With deteriorating China property sales observed in Aug and Sept (-19% and -30% YoY respectively), this is likely to lead delay property completions on working capital and an overall weakening consumption appetite. According to NBS data, retail sales for furniture in China slowed to 6.7% YoY in Aug (vs. >50% YoY growth in 1Q21). In the report, the house believes Man Wah's China revenue growth will slow significantly in 2H21E, caused by a high-base effect and potential slowdown in China market. In addition, the house highlights that there is no change in consensus net profit estimates, hence, any lower-than-expected earnings guidance or release will lead a large selling pressure on the name.

Yum China-S (9987 HK)

Yum China is going to announce its 3Q21 results on 28 Oct. In Sept, the company has already released its 3Q21 operational updates: (1) Same-store-sales in Aug declined by mid-teens due to COVID-19 outbreak; (2) adjusted operating profit to decline by 50-60% YoY; (3) dining-in has restarted in Nanjing and Yangzhou in Sept, which is likely to help its sales, but stores at transportation hubs are still affected by certain traveling measures. Market expects to see Yum China's weaken 3Q21 results and investors' focus will be on: (1) the pace of recovery in 4Q21E; (2) a glimpse of 2022E; and 3) cost trend for the next few quarters (esp. on commodity costs like poultry and labor cost).

Link REIT (823 HK)
Link's management maintained a relatively positive tone towards its outlook. In Hong Kong, benefiting from continued improvement in consumption sentiment, its tenant sales grew +4.8% YoY in April-June led by outperformance in food & beverage categories (+12.2%) to which Link REIT is more exposed (28% of total sales), partly offset by weaker performance in supermarket & foodstuff at -7.5%. With the launch of the Consumption Voucher Scheme (CVS) by the government in the last 2-3 months, they saw further pickup in tenant sales in Aug. In China, occupancy across its 7 malls was fairly steady at 95.2% at end-June (vs. 96.3% at end-March) with tenant sales having returned to c.90% of pre-COVID19 level. Its management reiterated their commitment to delivering sustainable growth in shareholder returns by maintaining 100% payout to DPU and pursuing growth by evaluating various acquisition opportunities in HK/China and overseas markets, including Singapore, Australia, Japan and UK given the breadth and depth of rental markets as well as transparency in regulation in those countries.

ASM Pacific (522 HK)
ASM Pacific announced that the company plans to acquire Mycronic subsidiary Automation Engineering, Inc. ('AEi'), a leader in AA (active alignment) equipment for automotive cameras. Through the acquisition, the company aims to (1) enter the automotive camera assembly and test solutions space; (2) enables the company to offer total solutions for automated and expand its served market that encompasses global Tier 1 and 2 automotive component providers; (3) enable the company to expand into new adjacent market opportunities in security surveillance, drones and LiDAR.