10 stocks to watch in 2021

While stocks are typically impacted by a multitude of factors over the course of the year, 2020 was unique for the outsized impact that a single event – the Covid-19 pandemic – had on companies, markets and economies. This year, the effects of the steps that companies took in 2020 to deal with the pandemic will become apparent. As that happens, these are the companies to watch.

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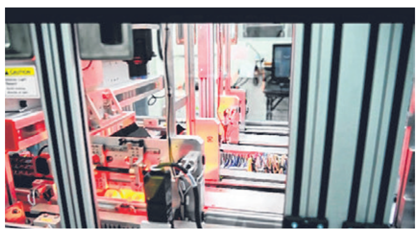


AEM Holdings

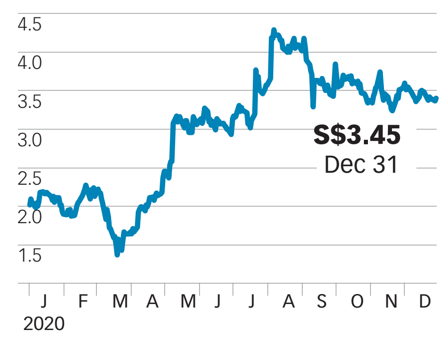
Its share price has gained close to 70 per cent year-to-date despite the pandemic and is set to extend its positive run come 2021.

The firm has revised its FY2020 revenue guidance upwards twice, and now expects revenue to be between S$500 million and S$520 million.

Growth is being supported by demand for complex semiconductor chips on the back of emerging technologies such as artificial intelligence (AI), 5G and the Internet of Things.

First-mover advantage and long-term relationship with its key customer (reportedly semiconductor giant Intel Corporation) will allow AEM to be among key beneficiaries of the 5G rollout, according to Maybank Kim Eng analysts.

AEM can also be expected to actively pursue mergers and acquisitions in 2021 to solidify its position as a global leader.



CapitaLand Integrated Commercial Trust

The 2020 merger between CapitaLand Mall Trust and CapitaLand Commercial Trust created the biggest real estate investment trust (Reit) in Singapore and the third largest in Asia-Pacific, with a market capitalisation of more than S$13 billion.

Investors will expect the enlarged Reit to deliver on promises of a lower cost of capital and synergies between its retail and office portfolios.

As the biggest publicly-listed commercial landlord, CICT will also be a good proxy for the recovery in commercial real estate as borders reopen. CICT will need to repurpose its retail space and reimagine its office space for the post-Covid world.

CapitaSpring, a new development on the former Golden Shoe Car Park site, will also be completed in 2021 and begin contributing to income.

Medtecs International Corp

After a stellar year capitalising on the Covid-19 pandemic and making more of its self-branded personal protective equipment (PPE) products, 2021 will be an important year for this Catalist-listed firm.

Medtecs, led by Taiwan's Yang family, saw explosive sales numbers in 2020. An analyst reckons that the average selling prices and sales volumes of its masks, gowns and coveralls could remain at 90 and 60 per cent, respectively, above pre-Covid levels even as the pandemic situation is expected to improve in 2021.

Medtecs has a reliable network of suppliers in the bag, a 17-year track record of helping Singapore and Taiwan to stockpile that strengthens its pitch to other governments, a formidable e-commerce presence, and a foot in the giant US market. It also has a growing cash pile and is enroute to the mainboard.

Nanofilm Technologies International

Investors will be watching for Nanofilm to deliver on expectations. The homegrown company produces a special coating for for high-tech components and products.

Its patented technology works at room temperature, and so can coat components made of ceramic and plastics. Conventional coating processes are at high temperatures. Nanofilm is the single source supplier for many of its customers.

Plans to increase production capacity with a second plant in Shanghai are underway. UOH Kay Hian said in a report this could potentially increase its total number of coating equipment by 2.6 times.

DBS

The local bank stocks have long been favoured by investors seeking stable counters with decent dividends. In 2020, that ability to pay dividends was curbed by a regulatory directive to conserve capital. The banks also faced compressed net interest margins and higher nonperforming loan provisions.

In 2021, the cap on dividends may be lifted. But the operating environment could remain challenging as interest rates are expected to remain low. Many government support programmes will also end.

Additionally, the banks may have to intensify their preparations for digital bank competition.

DBS could also face scrutiny following its acquisition of Lakshmi Vilas Bank (LVB) in India. LVB has posted losses over the last three years, and faces corporate governance issues and mounting bad debt. At the same time, DBS can leverage LVB's extensive branch network to grow.

Keppel Corp

As far as cyclical value plays go, this diversified stalwart is one to watch for 2021. Keppel's capital recycling plan to monetise some S$17.5 billion of assets over time is a key catalyst. It may even start the year with a bang as it wraps up a 100-day programme – a teaser of sorts to its Vision 2030 blueprint – to step up growth across its energy & environment, property, connectivity, and asset management businesses.

There are high expectations too that the conglomerate's beaten down offshore & marine (O&M) unit will be in the thick of any potential restructuring, ridding Keppel of a key overhang amid a prolonged oil slump.

The new year could also be a time when the world's largest rig builder works harder on its other segments to reduce its reliance on the cyclical O&M unit.

Wilmar International

Wilmar's plans to list its China subsidiary Yihai Kerry Arawana (YKA) on the Shenzhen Stock Exchange – first announced in May 2017 – finally materialised in 2020.

With the money raised from the listing, Wilmar is now eyeing a "huge expansion of its agri-commodity processing and food product businesses". Proceeds will go towards the partial funding of 19 projects, including edible oil processing projects and integrated facilities processing more than one category of commodity.

Wilmar has been a top pick of analysts due to its diversified business. The company, which is one of the world's largest palm oil processors, also has businesses in areas such as sugar milling and consumer food products.

YKA's strong performance since its listing means that Wilmar appears undervalued on the Singapore Exchange. As risk appetite improves and investors cycle into value plays, Wilmar could well catch up.

City Developments

CDL's exposure to Chinese property company Sincere Property Group (SPG) is likely to be closely watched by the market in 2021, partly for what it will mean for its own bottom line but also for the impact it may have on the internal dynamics of the Kwek family. In the wake of a decade of waning profitability, CDL is clearly in need of new growth drivers. In 2019, it took its hotel arm Millennium & Copthorne (M&C) private. In 2020, it struck a deal to take a 51 per cent stake in SPG.

In October 2020, however, Kwek Leng Peck resigned from the board of CDL citing concerns about the group's continuing financial support for SPG and management of M&C among his reasons for quitting. On Dec 28, independent non-executive director Koh Thiam Hock also resigned.

CDL's executive chairman Kwek Leng Beng and its chief executive Sherman Kwek – who are, respectively, a cousin and a nephew of Kwek Leng Peck – have a lot to prove in 2021.

Singtel

With a digital full-bank (DFB) licence in its bag, a 5G rollout underway, and a new chief executive to assume control in January, Singtel will be the telco to watch in 2021.

Whether the telco's DFB, which is a 40-60 joint venture (JV) with ride hailing group Grab, proves to be a success is uncertain. DBS Group Research had noted that the JV could be less successful than South Korea's Kakao Bank, and "could take five years to achieve what Kakao Bank has achieved in 2.5-3 years".

Additionally, Singtel will need to figure out how it can monetise its new 5G services to offset the costs of rolling them out.

The telco's pick of a new leader appears to sit well with investors, if the stock's trajectory is any useful indicator. Mr Yuen has a good track record running the Singapore operations and analysts have lauded him for being "rational" – a much-needed trait in a competitive environment.

Singapore Airlines

The national carrier was blindsided as the novel coronavirus made its way across the globe, forcing borders to close and decimating international travel.

SIA posted its first ever annual loss and raised S$8.8 billion in a dilutive rights issue to meet its cash requirements. Like many other aviation companies around the world, its shares were hammered.

In the latter part of the year, however, the availability of vaccines lifted SIA. Eventual widespread vaccination would allow border re-openings, but in the near term there is a business opportunity for the airline. It is one of only 24 globally that is equipped to transport vaccines with demanding requirements.

With many of its rivals floored by the pandemic, will SIA now be able to win market share? And will the stock regain its losses and even deliver strong returns for those who supported its rights issue?

Source: Bloomberg Compiled by BT