

Singapore

ADD (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 0

Current price:	S\$0.705
Target price:	S\$0.84
Previous target:	S\$0.84
Up/downside:	19.1%
CGS-CIMB / Consensus:	5.7%
Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$182.6m
	S\$250.4m
Average daily turnover:	US\$0.22m
	S\$0.31m
Current shares o/s:	355.2m
Free float:	26.5%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.6	15.6	-13
Relative (%)	9.6	14	-15.5

Major shareholders	% held
NHPEA Ace Realty Company Ltd	64.8
FIL Invnt Mgmt	4.3
Qilin Asset Mgmt	3.4

Analyst(s)



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APAC Realty Ltd

Supported by high dividend yield

- 1H22 EPS of 4.7 Scts was deemed broadly in line at 65.6% of our FY22F forecast.
- Higher new home sales income helped moderate a fall in resale and rental commissions.
- Reiterate an Add rating with an unchanged TP of S\$0.84.

1H22 results highlights

APAC reported 1H22 revenue of S\$342.6m, -4.4% yoy while PATMI slipped 2.1% yoy to S\$16.7m. The weaker yoy performance was largely due to a 19% yoy drop in total new, resale and HDB resale market volume transactions in 1H22. APAC's overall market share stood at 40% as at 1H22. Gross profit was stable at S\$35.3m as GP margin improved to 10.3% (vs. 9.8% in 1H21) due to a shift in revenue mix towards the higher yielding new home sales segment. Associates' profit was S\$0.3m vs. a S\$0.3m loss a year ago, coming mainly from Vietnam. APAC declared an interim dividend of 3.5 Scts (75% payout ratio), translating to an annualised yield of c.10%.

Weaker resale and rental commission on decline in market volumes

APAC generated S\$199m (58% of 1H22 revenue) from resale and rental commission income. The 9.6% yoy decline in resale and rental revenue was due to a 21.4% and 6% drop in private and HDB resale market transaction volumes, respectively. Meanwhile, the rental market also registered an 8.9% contraction in leasing activity. APAC expects transaction volumes for private and HDB resale segments could decline 15-23% yoy in FY22F due to the adverse impact from the Dec 2021 property cooling measures. It anticipates increases of 1-3% in private property prices and 4-8% in HDB resale prices due to limited new private supply and delays in the completion of new HDB apartments. In Feb 22, APAC established its Capital Markets & Investment Sales (CMIS) business unit to engage individual and institutional investors with services across the commercial, industrial, retail and residential sectors. To date, CMIS has recorded over S\$26m in transaction value.

Slight increase in new home sales commissions yoy

APAC's 1H22 brokerage revenue from new home sales increased 4.1% yoy to S\$139.3m, due to the timing of revenue recognition, even as market transaction volumes declined 40.2% yoy. APAC's 1H22 market share for new home sales stood at 30.6%. APAC has been appointed the marketing agent for 25 projects with more than 8,200 units. As part of its strategy to boost sales and market share, ERA plans to launch SALES+, a proprietary and highly advanced super-app to provide its sales force with one-tap access to data, market trends, financial and property analysis.

Reiterate Add rating

We leave our FY22-24F EPS unchanged and maintain our TP at S\$0.84, based on an unchanged blend of net cash-adjusted P/E multiple and DCF valuation. We believe share price is likely supported by a projected FY22F dividend yield of 7.8%. Potential re-rating catalysts: ability to gain further market share in both the primary and secondary residential segments and identifying new growth drivers. Key downside risk: delayed recovery of the property market due to a weak macro outlook and continued loss of market share.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (S\$m)	395.1	739.8	636.0	648.3	681.3
Operating EBITDA (S\$m)	21.49	45.86	33.96	39.92	43.60
Net Profit (S\$m)	16.44	35.39	25.43	30.44	33.95
Normalised EPS (S\$)	0.046	0.100	0.072	0.086	0.096
Normalised EPS Growth	17%	115%	(28%)	20%	12%
FD Normalised P/E (x)	15.23	7.08	9.85	8.23	7.38
DPS (S\$)	0.03	0.11	0.05	0.06	0.07
Dividend Yield	3.5%	14.9%	7.6%	9.1%	10.2%
EV/EBITDA (x)	12.42	5.35	7.04	5.51	4.59
P/FCFE (x)	20.73	4.90	6.44	6.87	6.24
Net Gearing	10.7%	(3.0%)	(7.3%)	(18.1%)	(27.4%)
P/BV (x)	1.62	1.56	1.64	1.49	1.37
ROE	10.9%	22.4%	16.2%	19.0%	19.3%
Normalised EPS/consensus EPS (x)			1.02	1.14	1.15

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell



APAC prioritises sustainability at its board level – it has established a Sustainability Task Force to implement and manage its sustainability measures. Some of its sustainability targets in FY21F include promoting environmental sustainability, developing employee and salesperson talent and skills, lowering energy consumption and encouraging workforce gender and age diversity. On 11 Nov 2021, APAC announced a series of ESG efforts including three priority areas of i) creating a green and sustainable living environment for Singaporeans, ii) employee well-being, and iii) development of evolutionary solutions. APAC will also continue to reduce its carbon footprint with the digitisation of its client engagement and transaction processes.

Keep your eye on

Some of the key ESG items that stood out for APAC in FY20 include an increase in electricity consumption and CO2 emissions at ERA APAC Centre as well as three disciplinary actions from the Council of Estate Agents against its salespersons.

Implications

Our current valuations have not ascribed a premium/discount for ESG achievements. As APAC continues on its ESG journey, its overall ESG score should continue to improve, in our view.

ESG highlights

As part of its ESG objectives, close to 7,600 ERA salespersons fulfilled their Continuing Professional Development (CPD) hours and managed to renew their Council for Estate Agencies (CEA) licences for FY20. APAC achieved lower electricity and CO2 emissions for its Mountbatten Square office and its Bangkok office while electricity consumption and CO2 emissions at its headquarters ERA APAC Centre rose in FY20.

Implications

We have not applied any premium/discount for ESG in our fundamental valuations.

Trends

To meet its target to lower energy consumption and CO2 emissions at ERA APAC Centre, the company continues to explore various energy-saving initiatives in FY21; it also installed energy-efficient appliances and lights during the earlier renovation phase.

Implications

We have not applied any premium/discount for ESG in our fundamental valuations. However, as the group continues to build on its ESG efforts, we believe these could lead to improved operational efficiencies and financial performance.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 1: Results comparison

FYE Dec (\$m)	1H FY22	1H FY21	yoy % chg	hoh % chg	Prev. FY22F	Comments
Revenue	342.6	358.4	-4.4	-10.2	636.0	In line. 1HFY22: 53.9% of our FY22F forecast
Operating costs	(320.7)	(335.9)	-4.5	-10.2	(602.1)	
EBITDA	21.9	22.6	-2.9	-9.6	34.0	Above. 1HFY22: 64.5% of our FY22F forecast
EBITDA margin (%)	6.4%	6.3%	n.m.	n.m.	5.3%	
Depreciation/Amortisation	(1.6)	(1.5)	8.5	5.9	(2.0)	
EBIT	20.3	21.1	-3.7	-10.7	31.9	
Interest expense	(0.4)	(0.4)	-10.9	-3.8	(0.7)	
Interest & invt inc	-	-	n/a	n/a	-	
Associates' contribution	0.3	(0.3)	-189.5	-348.1	(0.4)	
Exceptionals	-	-	n/a	n/a	-	
Pretax profit	20.2	20.4	-0.9	-9.2	30.8	
Tax	(3.7)	(3.4)	8.8	-8.0	(5.3)	
Tax rate (%)	18.1%	16.5%	n.m.	n.m.	-17.2%	
Minority interests	0.1	0.0	521.7	98.6	(0.1)	
Net profit	16.7	17.0	-2.1	-9.0	25.4	Slightly above. 1HFY22: 65.6% of our FY22F forecast
Core profit	16.7	17.0	-2.1	-9.0	25.4	Slightly above. 1HFY22: 65.6% of our FY22F forecast
EPS (Scts)	4.70	4.80	-2.1	-9.0	7.16	Slightly above. 1HFY22: 65.6% of our FY22F forecast
Core EPS (Scts)	4.70	4.80	-2.1	-9.0	7.16	Slightly above. 1HFY22: 65.6% of our FY22F forecast

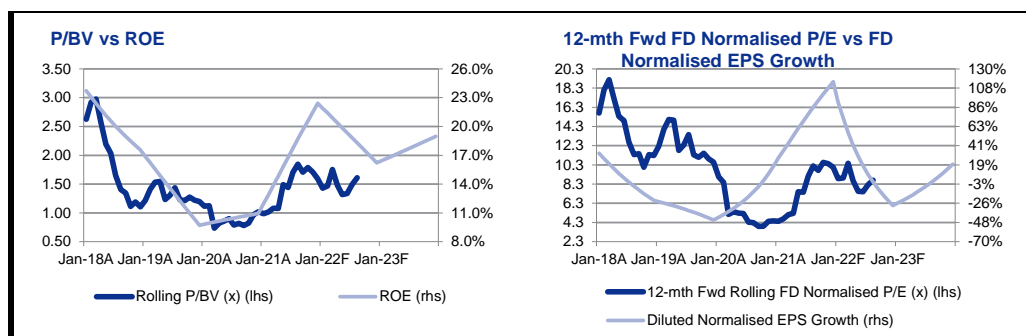
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY23F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY22F	FY23F	FY24F			FY22F	FY23F	FY22F	FY23F
APAC Realty Ltd	APAC SP	Add	0.71	0.84	183	9.8	8.2	7.4	n.a.	n.a.	1.64	1.49	7.6%	9.1%
Capitaland Investment	CLI SP	Add	4.10	4.59	15,308	22.1	21.1	19.0	5.10	-20%	1.22	1.18	1.6%	1.7%
City Developments	CIT SP	Add	8.25	8.97	5,455	16.0	10.1	14.6	16.30	-49%	0.74	0.66	2.4%	2.4%
Frasers Property Limited	FPL SP	Add	1.04	1.41	2,977	14.3	15.2	13.1	2.56	-59%	0.36	0.34	2.9%	3.8%
Hongkong Land Holdings Ltd	HKL SP	Add	5.06	6.10	11,810	13.1	12.3	11.2	10.20	-50%	0.33	0.29	4.3%	4.3%
Propnex Ltd	PROP SP	Add	1.67	2.07	450	12.7	12.2	11.7	n.a.	n.a.	5.53	5.01	6.3%	6.5%
UOL Group	UOL SP	Add	7.33	8.00	4,513	18.5	18.3	22.0	13.34	-45%	0.60	0.59	2.4%	2.4%
Wing Tai Holdings	WINGT SP	Add	1.69	1.98	937	15.1	20.3	na	3.96	-57%	0.34	0.32	3.0%	3.0%
Singapore average						16.5	15.1	15.0		-35%	0.56	0.52	2.8%	2.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Share price as at 10 Aug 2022

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	395.1	739.8	636.0	648.3	681.3
Gross Profit	47.5	75.4	61.8	66.6	71.3
Operating EBITDA	21.5	45.9	34.0	39.9	43.6
Depreciation And Amortisation	(0.6)	(2.1)	(2.0)	(2.0)	(1.5)
Operating EBIT	20.9	43.8	31.9	37.9	42.1
Financial Income/(Expense)	(1.1)	(0.8)	(0.7)	(0.6)	(0.6)
Pretax Income/(Loss) from Assoc.	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	19.6	42.6	30.8	36.9	41.1
Exceptional Items					
Pre-tax Profit	19.6	42.6	30.8	36.9	41.1
Taxation	(3.3)	(7.3)	(5.3)	(6.3)	(7.1)
Exceptional Income - post-tax					
Profit After Tax	16.3	35.3	25.5	30.5	34.0
Minority Interests	0.1	0.1	(0.1)	(0.1)	(0.1)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	16.4	35.4	25.4	30.4	34.0
Normalised Net Profit	16.3	35.3	25.5	30.5	34.0
Fully Diluted Normalised Profit	16.4	35.4	25.4	30.4	34.0

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	21.49	45.86	33.96	39.92	43.60
Cash Flow from Invnt. & Assoc.	0.16	0.40	0.40	0.40	0.40
Change In Working Capital	(4.31)	6.45	11.07	0.73	1.97
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2.10	5.46	2.96	2.96	2.46
Other Operating Cashflow	5.49	4.34	4.61	4.51	4.42
Net Interest (Paid)/Received	(0.55)	(0.25)	(0.74)	(0.63)	(0.55)
Tax Paid	(2.47)	(4.12)	(5.29)	(6.33)	(7.07)
Cashflow From Operations	21.91	58.14	46.97	41.56	45.24
Capex	(0.16)	(1.08)	(0.20)	(0.20)	(0.20)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4.77)	(1.03)	0.00	0.00	0.00
Cash Flow From Investing	(4.94)	(2.11)	(0.20)	(0.20)	(0.20)
Debt Raised/(repaid)	(4.90)	(4.90)	(7.90)	(4.90)	(4.90)
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(7.10)	(29.30)	(37.30)	(19.07)	(22.83)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(12.00)	(34.20)	(45.20)	(23.97)	(27.73)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	35.1	53.7	52.1	66.4	81.2
Properties Under Development					
Total Debtors	90.9	133.6	116.7	118.7	124.1
Inventories					
Total Other Current Assets	16.1	23.3	23.3	23.3	23.3
Total Current Assets	142.1	210.6	192.0	208.4	228.6
Fixed Assets	73.9	72.8	71.0	69.2	67.9
Total Investments	6.5	4.7	4.3	3.9	3.5
Intangible Assets	97.7	96.9	96.0	95.0	94.1
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	178.2	174.5	171.3	168.2	165.5
Short-term Debt	2.9	2.9	2.9	2.9	2.9
Current Portion of Long-Term Debt					
Total Creditors	101.8	161.8	155.9	158.6	166.0
Other Current Liabilities	7.3	10.5	10.5	10.5	10.5
Total Current Liabilities	111.9	175.1	169.3	172.0	179.4
Total Long-term Debt	48.8	45.9	38.0	33.1	28.2
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1.7	0.0	0.0	0.0	0.0
Total Non-current Liabilities	50.6	46.0	38.1	33.2	28.3
Total Provisions	4.2	4.1	4.1	4.1	4.1
Total Liabilities	166.7	225.2	211.4	209.3	211.7
Shareholders' Equity	154.8	160.9	152.9	168.2	183.2
Minority Interests	(0.2)	(0.3)	(0.2)	(0.1)	(0.0)
Total Equity	154.6	160.7	152.7	168.1	183.2

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	6.9%	87.2%	(14.0%)	1.9%	5.1%
Operating EBITDA Growth	10%	113%	(26%)	18%	9%
Operating EBITDA Margin	5.44%	6.20%	5.34%	6.16%	6.40%
Net Cash Per Share (S\$)	(0.05)	0.01	0.03	0.09	0.14
BVPS (S\$)	0.44	0.45	0.43	0.47	0.52
Gross Interest Cover	19.53	56.58	43.28	59.92	76.23
Effective Tax Rate	16.8%	17.2%	17.2%	17.2%	17.2%
Net Dividend Payout Ratio	54%	105%	75%	75%	75%
Accounts Receivables Days	63.36	49.43	64.46	59.03	58.32
Inventory Days	-	-	-	-	-
Accounts Payables Days	85.70	65.55	92.03	89.87	88.97
ROIC (%)	21.7%	25.8%	20.7%	27.0%	30.7%
ROCE (%)	10.1%	20.7%	15.5%	18.7%	19.7%
Return On Average Assets	5.7%	10.2%	7.0%	8.4%	9.0%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Brokerage from resale and rental (S\$m)	267.4	499.7	441.3	457.9	480.5
Brokerage from project sales (S\$m)	116.4	281.0	188.0	182.8	192.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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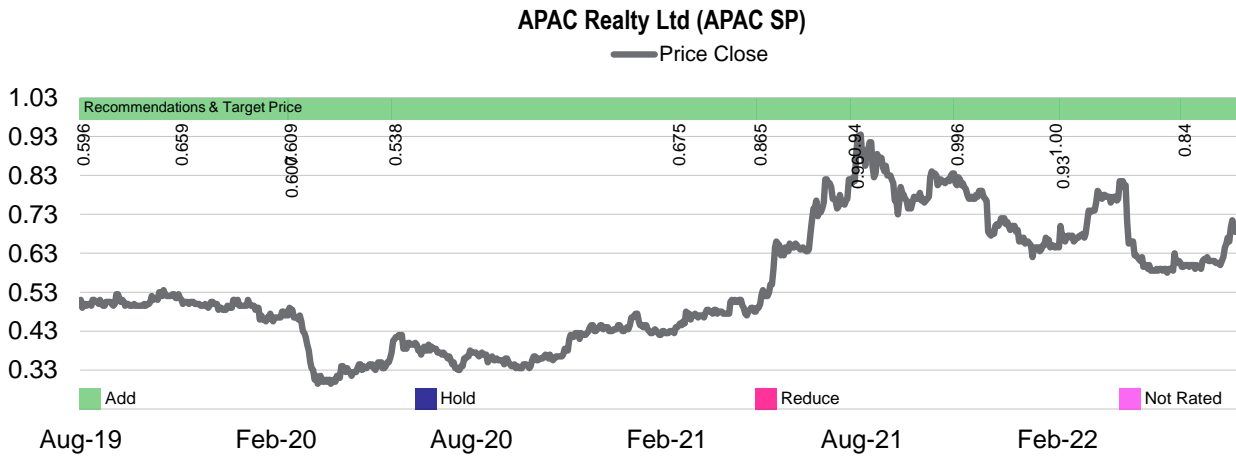
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

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Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

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