

10 in 10 – APAC Realty Limited (SGX Code: CLN)

10 Questions in 10 Minutes with SGX-listed companies



10 Questions for APAC Realty Limited

Company Overview

APAC Realty Limited (“APAC Realty”) is a real estate services provider in Asia. The Group operates three main business segments – real estate brokerage services; franchise arrangements; and training, valuation and other ancillary services. APAC Realty’s real estate brokerage services are operated by its wholly-owned subsidiary ERA Realty Network Pte Ltd (“ERA Realty”) under the ERA franchise. The Group holds exclusive ERA master franchise rights for 17 countries in Asia Pacific. [Link to StockFacts company page](#)

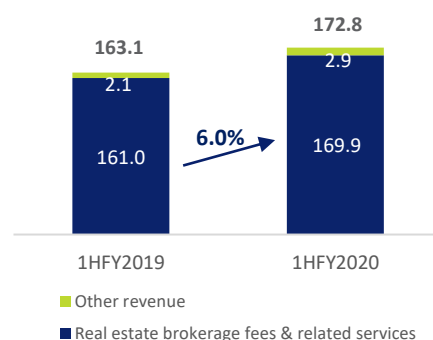
SGX Code: CLN	BBG: APAC SP	RIC: APAC.SI
Market cap on 5 Oct (S\$m)		122.5
Price on 5 Oct (S\$)		0.345
52 wk high/low (S\$)		0.545 - 0.285
12m ADTV (S\$)		94,976
Shares Outstanding (m)		355.2
Float		26.5%
P/E (LTM)		8.7
P/B (LTM)		0.8
Dividend Yield		5.8%

Source: Bloomberg (5 Oct 2020)

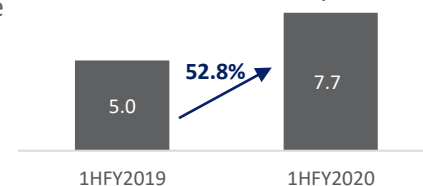
1. What is APAC Realty’s value proposition to its shareholders and potential investors?

- Since our listing in September 2017, we have created significant value for APAC Realty shareholders, underpinned by the continued success of our real estate brokerage business which has been operating under the ERA brand over the past 38 years.
- We believe our value proposition includes:
 - Strong brand name and industry network
 - Experienced management team with, on average, more than 15 years of industry experience
 - With a technology-focused mindset, we were an early adopter of leading edge proptech and made investments into technological enablers to drive digital innovation and productivity
 - Clear regional growth strategy as validated by our acquisitions of ERA Indonesia, Thailand, Malaysia and Vietnam, as well as ERA’s exclusive partnerships with leading property portals in the region
 - Well-positioned to tap into Asia’s strong growth as the region’s real estate markets recover in 2021 (source: JLL)
- Our strong cash flow model has allowed the Group to provide a consistent dividend payout ratio of more than 50% every year since listing. We have declared an interim dividend of 0.75 Singapore cents per share for 1H FY2020.

Revenue S\$’M



Profit After Tax S\$’M



Source: Company data

2. What benefits will the exclusive partnership with Chinese property portal Fang.com bring to the Group?

- In September 2020, we obtained exclusive listing rights to list Singapore properties on Fang.com, a market-leading property portal in China with more than 80 million registered users and a monthly visitor count of 14.83 million. Under the exclusive arrangement, all new Singapore listings on this top trending property portal will have to be listed through ERA Singapore.
- Mainland Chinese clients has been the single-largest foreign-buyer group in the first six-months of 2020, comprising 26% of overall sales in Singapore's prime districts. With Singapore fast becoming the preferred destination for Chinese technology giants, we expect increased demand for housing as well.
- We believe that this partnership will be beneficial for APAC Realty as it provides exclusive opportunities for our salespeople to engage Chinese home-buyers through a secure and reputable online platform, which conducted over 120,000 live streaming events with more than five million viewers daily during the Covid-19 lockdown in China.



Chairman and CEO of APAC Realty, Jack Chua

3. Salespersons are at the heart of your business. How do you attract, retain and upskill your salespeople?

- The ERA brand enjoys strong brand recognition in our core markets, especially in Singapore where we serve more than half a million clients. This has allowed us to consistently maintain a sizeable share of Singapore's residential property market, despite the prevailing property cooling measures and recent Circuit Breaker.
- We promote a positive culture of recognition and encouragement, attracting best-in-class salespeople to our family. To upskill our teams, we offer proprietary online training programmes covering a range of specialised topics, from ERA's Ultimate Agent Training roadmap to free technology training sessions. We also provide strong support for our agents, from healthcare benefits to free use of proptech and sales lead generation platforms.
- Over S\$18.3 million has been disbursed so far to help our salespersons tide through the pandemic. These financial support measures were extended in the form of commission fee advances, loyalty growth dividends, skills development and subsidies of business costs.
- As part of our commission advance scheme, ERA Singapore tied up with LytePay, a Singapore-based financial solutions provider, and Rapyd, a global Fintech-as-a-Service company, to roll out a new initiative which allows our salespersons to advance yet-to-be-paid commissions via a business wallet. This support scheme received a warm and positive response from our sales teams.

4. In 2019, APAC Realty invested S\$1 million in a predictive AI and proptech startup. How is this initiative progressing and how does it help the Group remain at the forefront of the industry?

- In June 2019, we launched the Digital Lab initiative to explore partnerships and investments in innovative start-ups, with the aim of developing complementary and sustainable technologies for the industry.
- To date, we have invested S\$2.4 million in leading real estate technologies to empower our salespersons by driving productivity, raising professionalism and building stronger client relationships. The Group has invested in **Dots Connected** (which owns and operates **UrbanZoom**), **SoReal Prop**, **Turning-Point** and **Fang**.
- The Group believes that the competitive edge of our sales teams will be enhanced if they have unlimited access to advanced real estate mobile apps, online marketing tools and training programmes. This will also ensure our salesforce's commitment and ability to deliver on our mission statement – to be the 1st in service, 1st in results and 1st in customer satisfaction.

5. How has the Covid-19 outbreak affected the Group's business landscape?

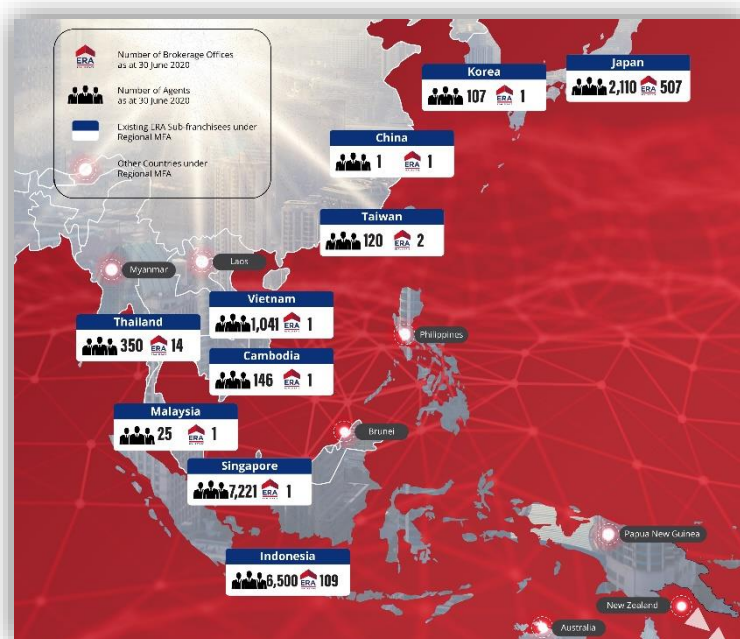
- Over the past three decades, the Group has established ERA as the preferred marketing agency for new launches amongst leading developers. Despite the challenging market conditions, we have secured marketing agent mandates for 42 residential projects with close to 15,000 new home units launched or scheduled to be launched in FY2020 and 1H FY2021. We have also increased our estimated market share in the residential property market to 38.3% in 1H2020, compared with 37.5% in 1H FY2019.
- We believe that the negative impact of the Covid-19 outbreak on the Singapore property market is expected to be relatively short-lived. The pace of the recovery will depend largely on the state of the global economy and resumption of cross border travel.
- Over the past six months, we have accelerated the adoption and integration of virtual viewing technologies, proptech, fintech and digital processes to enhance our client engagement. With access to advanced technology and training tools, our sales teams were able to dispense quality advice and service to our clients. We market with integrity and will only advise our clients to enter a transaction with certainty of financial capability.

6. The ERA franchise model is the backbone behind APAC Realty's regional presence and network. Can you elaborate on this model and how it has benefitted the Group?

- We hold the master franchise for the ERA brand in Asia-Pacific. Through our ERA franchisee network, the Group has one of the largest brand footprints in Asia with more than 17,600 salespersons across 638 offices in 10 countries.
- We believe that the ERA global franchise model allows us to plan and grow our regional presence in a capital-efficient manner. Success in the real estate sector depends largely on local knowledge and network. We seek to acquire franchisees who have established brand names, strong reputation and robust businesses in their respective markets.
- In February 2019, we entered into agreements to acquire control of ERA Indonesia and ERA Thailand. This deepened our presence in the two largest economies in ASEAN, which have a combined population of approximately 340 million (*source: World Bank*). We continued our expansion acquiring a 49% stake in ERA Malaysia in December 2019, and a 38% stake in ERA Vietnam in February 2020.

7. What are APAC Realty's plans to extend its overseas network and which geographic markets are you focusing on?

- Since acquiring positions in ERA Indonesia, ERA Thailand, ERA Vietnam and ERA Malaysia over the past 18 months, we have been focusing on their integration with the Group.
- As the economies of Indonesia, Thailand, Vietnam and Malaysia recover post pandemic, we expect to realise synergies, cross selling opportunities, and greater contributions to the Group.



APAC Realty's Asia Pacific network

8. The Indonesian government has proposed a new law that will ease foreign property ownership in the country. What impact will this have on your Indonesian operations?

- The Omnibus bill, when passed, will allow foreigners to purchase and own property in Indonesia with fewer restrictions. The proposed law is expected to cut red tape, improve the ease of doing business in Indonesia, transform the economy and drive demand for real estate in the country.
- Industry watchers expect approximately US\$5 billion to US\$10 billion of foreign investment into Indonesian properties annually ([link](#)). Industry players also expect the property market to pick up gradually in late 2020 and speed up in 2021, subject to the pace of economic recovery post-Covid. With the ERA Asia-Pacific network in place, we can benefit from crossing selling of quality projects across markets.

9. What factors are critical to APAC Realty's success in the competitive real estate landscape?

- The success of our salespersons is critical and hence, we will continue to provide them with the best-in-class training, technologies and infrastructure.
- We emphasise the Group's core values of integrity and service excellence to our salespersons from day one and, set high expectations for client engagements via rigorous training programmes. We hope our salespersons can leverage on our strong support system to build multiple income streams and become a real estate entrepreneur.
- On the technology front, we have integrated leading proptech and fintech into our business, empowering our salespersons to drive productivity, raise professionalism and build stronger client relationships.

10. What differentiates APAC Realty from competitors?

- The ERA global franchise network has presence in close to 2,300 offices in 36 countries worldwide, with more than 35,000 salespersons. This creates opportunities for networking, cross-selling and information sharing among our salespeople under ERA's Asia-Pacific franchise.
- We believe that the strong ERA brand name makes APAC Realty a unique real estate service provider in Asia. Established over 38 years ago, the brand resonates with leading property developers, homeowners and property investors across the region.
- Furthermore, we have a presence in five of the six largest economies in ASEAN: Indonesia, Thailand, Singapore, Malaysia and Vietnam. We are able to reach a population of more than 474.3 million or 71.8% of the total ASEAN population of 660.5 million (*source: World Bank*).
- Our regional growth strategy and technological adoption (e.g. proptech and fintech platforms) have strengthened the ability of our sales teams to dispense quality advice and service excellence. We believe that these will present new opportunities for APAC Realty in Singapore and across Asia Pacific.



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Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit <http://www.apacrealty.com.sg/>

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Notes

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