

Singapore Company Update

APAC Realty

Bloomberg: APAC SP | Reuters: APAC.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 May 2021

BUY

Last Traded Price (12 May 2021): S\$0.490 (STI : 3,123.26)
Price Target 12-mth: S\$0.74 (50% upside) (Prev S\$0.61)

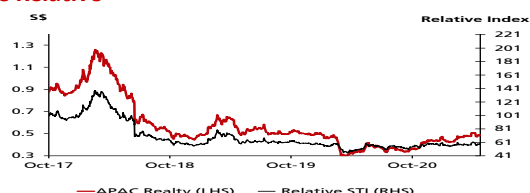
Analyst

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What's New

- Strong performance in 1Q21, benefitting from the buoyant property market in Singapore
- Strong demand leading to rising prices, while supply is tight with falling stockpile
- Slight increase in market share; secured marketing roles for 23 projects
- Raised FY21-22F earnings by 31-38%; maintain BUY with higher TP of S\$0.74

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2019A	2020A	2021F	2022F
Revenue	370	395	508	526
EBITDA	20.4	21.3	33.1	34.2
Pre-tax Profit	17.2	19.6	31.5	32.6
Net Profit	14.0	16.4	26.2	27.1
Net Pft (Pre Ex.)	14.0	16.4	26.2	27.1
Net Pft Gth (Pre-ex) (%)	(42.2)	17.3	59.2	3.7
EPS (S cts)	3.94	4.63	7.37	7.64
EPS Pre Ex. (S cts)	3.94	4.63	7.37	7.64
EPS Gth Pre Ex (%)	(42)	17	59	4
Diluted EPS (S cts)	3.94	4.63	7.37	7.64
Net DPS (S cts)	2.00	2.50	3.98	4.13
BV Per Share (S cts)	41.0	43.6	47.0	50.5
PE (X)	12.4	10.6	6.7	6.4
PE Pre Ex. (X)	12.4	10.6	6.7	6.4
P/Cash Flow (X)	10.3	8.7	5.8	6.1
EV/EBITDA (X)	9.6	9.0	5.3	4.8
Net Div Yield (%)	4.1	5.1	8.1	8.4
P/Book Value (X)	1.2	1.1	1.0	1.0
Net Debt/Equity (X)	0.2	0.1	0.0	CASH
ROAE (%)	9.7	10.9	16.3	15.7
Earnings Rev (%):			38	31
Consensus EPS (S cts):			4.70	5.40
Other Broker Recs:		B: 3	S: 0	H: 2

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Strong 1Q21, riding on buoyant property market

Investment Thesis:

Strong demand, tight supply. We project the transaction value for Singapore's overall property market to grow by a strong 27% in FY21F and another 3% in FY22F. This is revised up from our previous assumption of 6.5% in FY21F and 6.6% in FY22F, after 14% growth in FY20. The positive market sentiment on the back of the low interest rate environment, healthy supply of projects, expectations of a gradual economic recovery and healthy housing demand outweigh the COVID-19 impact.

Attractive valuations. APAC is trading at an attractive 6.7x FY21F PE, which is near -1SD of its 5-year average PE.

Supply still healthy despite fewer project launches. ERA has secured marketing roles for 23 projects for 2021. Though lower than 24 projects in 2020 and 43 in 2019, supply is still healthy.

Potential catalyst: 1) Strong pick-up in private property transaction activities; 2) Increasing supply of housing units.

Valuation:

Maintain BUY with higher TP of S\$0.74. We have raised FY21F-22F earnings by 31-38%. Our TP, which is still pegged to its 5-year average PE of c.10x on FY21F earnings, rises to S\$0.74 (S\$0.61 prev.) on our higher earnings projections.

Where we differ:

We are positive on APAC's ability to benefit from the resilience in the property market, being one of the leading players in the real estate brokerage industry in Asia.

Key Risks to Our View:

Additional property cooling measures; outlook is dependent on Singapore's residential property market and macroeconomic conditions.

At A Glance

Issued Capital (m shrs)	355
Mkt. Cap (S\$m/US\$m)	174 / 131
Major Shareholders (%)	
Tan Choon Hong	71.8
FIL Investment Management	4.3
Free Float (%)	23.9
3m Avg. Daily Val (US\$m)	0.14
GIC Industry: Real Estate / Real Estate Management & Development	



Live more, Bank less

APAC Realty

WHAT'S NEW

Strong performance in 1Q21, benefitting from the buoyant property market

1Q21 business updates, above expectations :-

- Total revenue for 1Q21 was up 70% y-o-y to S\$153.1m. Net profit surged 114% to S\$7.5m, accounts for 40% of our forecast and 44% of consensus, way above expectations. The buoyant property market was partly driven by positive market sentiment, on the back of the low interest rate environment and expectations of a gradual economic recovery, despite the COVID-19 pandemic.
- New homes revenue jumped 133% to S\$54.3m while resale and rental revenue gained 49% to S\$96.4m.

Transaction volume for the overall Singapore property market in 1Q21 :-

(units)	1Q21	1Q20	Change (%)
New homes	4,140	2,739	+51.2
Private	3,493	2,149	+62.5
ECS	647	590	+9.7
Resale	12,188	8,013	+52.1
Private	4,607	2,120	+117.3
HDB	7,581	5,893	+28.6
Rental	34,220	32,782	+4.4
Private	23,544	21,191	+11.1
HDB	10,676	11,591	-7.9
Total transactions	50,548	43,534	+16.1

Source: Company, DBS Bank

- **Strong surge in transaction volume.** The primary private residential market (including Ecs) grew 51% y-o-y to 3,493 units while the resale market more than doubled to 4,607 units. The HDB resale market reported an increase of 29% to 7,581 units.
- **Rising prices.** Singapore's private residential property prices were up by 3.3% y-o-y in 1Q21, steeper than the 2.1% growth in 4Q20.
- **Reducing stockpile.** Total supply of uncompleted private residential units (excluding Ecs) in the pipeline with planning approvals in 1Q21 was down 2.4% from

4Q20 to 48,139 units. Unsold units dropped 11.1% from 4Q20 to 21,602 units. Though stockpile is lower, it is still at a healthy level.

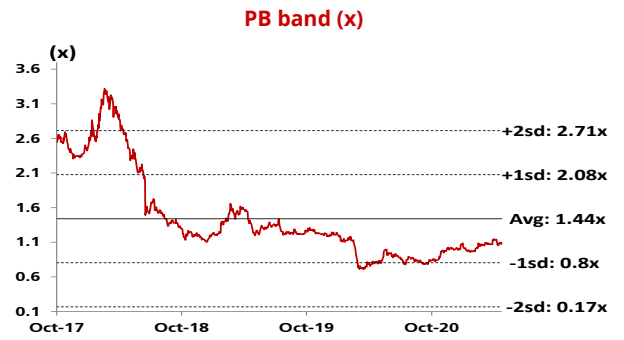
- **Slight improvement in market share.** Overall market share for ERA in terms of transaction volume in 1Q21 increased slightly to 28.2%, from 27.5% in 1Q20. New home sales segment fared well, with market share improving to 32.2% from 29.6% in 1Q20.
 - **Secured marketing roles for 23 projects.** As at 11 May 2021, ERA has secured marketing agent roles in 23 projects for 2021, with a total of 8,745 units. Out of these, 10 projects were launched, with 13 more to be launched during the rest of the year.
 - **Maintain BUY with higher TP of S\$0.74.** We project the transaction value for the overall property market to grow by a strong 27% in FY21F and another 3% in FY22F. This is revised up from our previous assumption of 6.5% in FY21F and 6.6% in FY22F, after 14% growth in FY20. Factors that can drive market activities include the low interest rate environment, healthy supply of projects, expectations of a gradual economic recovery and healthy housing demand.
- On the back of higher transaction value assumption, we have raised FY21F/FY22F earnings by 38%/31%. Our target price is increased to S\$0.74 (previously S\$0.61), pegged to average 5-year PE of c.10x on FY21F earnings. Maintain BUY.

Company Background

APAC Realty Limited ("APAC") is one of the leading players in the real estate brokerage industry in Asia. APAC Realty operates three main business segments – the real estate brokerage services; franchise agreements; and training, valuation and other ancillary services.

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Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates

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Key Assumptions

FY Dec	2018A	2019A	2020A	2021F	2022F
Transaction value					
ERA transaction value growth (%)	(16.1)	(18.7)	23.7	29.2	3.46
ERA market share (%)	34.0	32.9	33.3	33.8	34.0

Segmental Breakdown

FY Dec	2018A	2019A	2020A	2021F	2022F
Revenues (\$m)					
Brokerage	413	359	384	496	513
Non-brokerage	10.6	10.2	11.2	11.8	12.4
Total	424	370	395	508	526
Gross profit (\$m)					
Brokerage	44.5	37.3	37.3	49.6	51.3
Non-brokerage	10.2	10.2	0.0	0.0	0.0
Total	54.7	47.5	37.3	49.6	51.3

Income Statement (\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Revenue	424	370	395	508	526
Cost of Goods Sold	(371)	(323)	(348)	(448)	(463)
Gross Profit	52.8	46.4	47.5	60.2	62.4
Other Opng (Exp)/Inc	(23.1)	(27.4)	(26.6)	(27.6)	(28.7)
Operating Profit	29.7	19.0	20.9	32.5	33.7
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	(0.2)	0.0	0.0
Net Interest (Exp)/Inc	(0.4)	(1.8)	(1.1)	(1.1)	(1.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	29.2	17.2	19.6	31.5	32.6
Tax	(5.0)	(3.3)	(3.3)	(5.3)	(5.5)
Minority Interest	0.0	0.14	0.10	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	24.2	14.0	16.4	26.2	27.1
Net Profit before Except.	24.2	14.0	16.4	26.2	27.1
EBITDA	31.1	20.4	21.3	33.1	34.2
Growth					
Revenue Gth (%)	5.8	(12.8)	6.9	28.5	3.5
EBITDA Gth (%)	(0.1)	(34.3)	4.0	55.6	3.5
Opg Profit Gth (%)	0.0	(36.0)	9.9	55.8	3.6
Net Profit Gth (Pre-ex) (%)	(6.4)	(42.2)	17.3	59.2	3.7
Margins & Ratio					
Gross Margins (%)	12.5	12.5	12.0	11.9	11.9
Opg Profit Margin (%)	7.0	5.1	5.3	6.4	6.4
Net Profit Margin (%)	5.7	3.8	4.2	5.2	5.2
ROAE (%)	17.6	9.7	10.9	16.3	15.7
ROA (%)	9.3	4.8	5.3	8.0	8.1
ROCE (%)	13.9	5.9	7.3	11.5	11.3
Div Payout Ratio (%)	65.9	50.7	54.0	54.0	54.0
Net Interest Cover (x)	66.9	10.7	19.5	30.4	31.5

Source: Company, DBS Bank

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Interim Income Statement (\$\$m)

FY Dec	2H2018	1H2019	2H2019	1H2020	2H2020
Revenue	197	163	206	173	222
Cost of Goods Sold	(171)	(143)	(180)	(151)	(196)
Gross Profit	26.0	20.0	26.3	21.7	25.8
Other Oper. (Exp)/Inc	(12.7)	(12.8)	(13.5)	(11.9)	(14.7)
Operating Profit	13.3	7.15	12.9	9.74	11.1
Other Non Op (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	(0.2)
Net Interest (Exp)/Inc	(0.4)	(0.9)	(0.9)	(0.7)	(0.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	12.8	6.25	12.0	9.07	10.6
Tax	(2.2)	(1.2)	(2.1)	(1.4)	(1.9)
Minority Interest	0.0	0.0	0.07	0.06	0.04
Net Profit	10.6	5.04	8.91	7.76	8.68
Net profit bef Except.	10.6	5.04	8.91	7.76	8.68
EBITDA	14.0	8.68	14.5	11.3	12.6
Growth					
Revenue Gth (%)	(13.4)	(17.1)	26.6	(16.3)	28.6
EBITDA Gth (%)	(18.1)	(38.1)	66.7	(21.6)	11.0
Opp Profit Gth (%)	(18.9)	(46.2)	80.1	(24.4)	14.4
Net Profit Gth (%)	(21.9)	(52.6)	76.8	(12.9)	11.9
Margins					
Gross Margins (%)	13.2	12.3	12.8	12.5	11.6
Opp Profit Margins (%)	6.8	4.4	6.2	5.6	5.0
Net Profit Margins (%)	5.4	3.1	4.3	4.5	3.9

Balance Sheet (\$\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Net Fixed Assets	72.8	72.8	73.9	74.4	74.9
Invts in Associates & JVs	0.35	0.44	2.43	2.43	2.43
Other LT Assets	101	106	103	103	103
Cash & ST Invts	43.0	32.0	35.1	50.1	62.8
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	59.7	68.2	79.6	71.8	74.3
Other Current Assets	6.79	15.4	27.4	27.4	27.4
Total Assets	283	295	321	329	345
ST Debt	2.90	2.90	2.90	2.90	2.90
Creditor	63.5	71.9	90.9	85.4	88.4
Other Current Liab	14.8	15.6	18.2	19.3	19.5
LT Debt	54.6	51.7	48.8	48.8	48.8
Other LT Liabilities	4.29	7.55	5.94	5.94	5.94
Shareholder's Equity	143	146	155	167	179
Minority Interests	0.04	(0.1)	(0.2)	(0.2)	(0.2)
Total Cap. & Liab.	283	295	321	329	345
Non-Cash Wkg. Capital	(11.8)	(3.9)	(2.1)	(5.5)	(6.1)
Net Cash/(Debt)	(14.5)	(22.6)	(16.6)	(1.6)	11.1
Debtors Turn (avg days)	55.8	63.2	68.3	54.4	50.8
Creditors Turn (avg days)	71.8	76.8	85.6	72.0	68.6
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	1.6	1.3	1.3	1.6	1.6
Current Ratio (x)	1.3	1.3	1.3	1.4	1.5
Quick Ratio (x)	1.3	1.1	1.0	1.1	1.2
Net Debt/Equity (X)	0.1	0.2	0.1	0.0	CASH
Net Debt/Equity ex MI (X)	0.1	0.2	0.1	0.0	CASH
Capex to Debt (%)	127.2	2.3	0.3	1.9	1.9
Z-Score (X)	2.8	2.4	2.4	2.5	2.5

Source: Company, DBS Bank

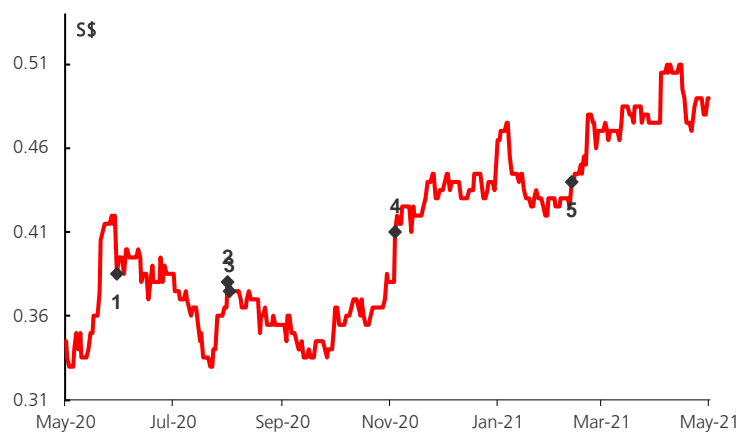
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Cash Flow Statement (\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Pre-Tax Profit	29.2	17.2	19.6	31.5	32.6
Dep. & Amort.	1.44	1.44	0.55	0.55	0.55
Tax Paid	(5.0)	(5.3)	(2.5)	(4.2)	(5.3)
Assoc. & JV Inc/(loss)	0.0	0.0	0.16	0.0	0.0
Chg in Wkg.Cap.	(16.1)	(0.4)	(4.3)	2.29	0.45
Other Operating CF	1.69	3.98	6.46	0.0	0.0
Net Operating CF	11.3	17.0	20.0	30.1	28.3
Capital Exp.(net)	(73.2)	(1.2)	(0.2)	(1.0)	(1.0)
Other Invs.(net)	0.0	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	(0.4)	(0.1)	(2.2)	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	(10.3)	(2.6)	0.0	0.0
Net Investing CF	(73.5)	(11.7)	(4.9)	(1.0)	(1.0)
Div Paid	(14.2)	(11.5)	(7.1)	(14.1)	(14.7)
Chg in Gross Debt	57.5	(4.8)	(4.9)	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	0.0	0.0	0.0	0.0	0.0
Net Financing CF	43.3	(16.3)	(12.0)	(14.1)	(14.7)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(19.0)	(11.0)	3.10	15.0	12.7
Opg CFPS (S cts)	7.71	4.88	6.85	7.84	7.85
Free CFPS (S cts)	(17.4)	4.43	5.59	8.21	7.69

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Jun 20	0.39	0.41	HOLD
2:	13 Aug 20	0.38	0.41	HOLD
3:	14 Aug 20	0.38	0.40	HOLD
4:	16 Nov 20	0.41	0.53	BUY
5:	24 Feb 21	0.44	0.61	BUY

Source: DBS Bank

Analyst: Lee Keng LING

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DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 14 May 2021 07:28:31 (SGT)

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