

Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	S\$0.44
Target price:	S\$0.54
Previous target:	S\$0.57
Up/downside:	22.7%
CGSI / Consensus:	17.4%
Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$116.1m
	S\$156.3m
Average daily turnover:	US\$0.02m
	S\$0.02m
Current shares o/s:	355.2m
Free float:	26.0%

*Source: Bloomberg

Key changes in this note

- FY24F EPS reduced by 16.3%.
- FY25F EPS reduced by 18.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.4	-8.3	-27.3
Relative (%)	-4.2	-9.8	-23.6

Major shareholders	% held
NHPEA Ace Realty Company Ltd	64.8
Chua Kee Hak	8.7

Analyst(s)



LOCK Mun Yee

T (65) 6210 8606

E munyee.lock@cgsi.com

APAC Realty Ltd

Focus on expanding market share

- APAC Realty's (APAC) 2H/FY23 EPS of 1.91/3.32 Scts was below expectations, at 48.3%/83.9% of our FY23F forecast
- APAC's strategy to grow market share, amid market volume recovery, should bolster performance in FY24F, in our view.
- Reiterate Add, with a lower TP of S\$0.54.

2H/FY23 results highlights

APAC reported a 17.9% yoy decline in 2H23 revenue to S\$297.6m, while PATMI fell 31.4% yoy to S\$6.8m. The weaker yoy revenue was due to lower brokerage revenue from new home sales, partly offset by higher resale and rental market commissions. As product mix skewed to the lower yielding resale segment, 2H23 GP margin dipped from 10.5% in 2H22 to 9.5% in 2H23. 2H23 EPS came in at 1.91 Scts (-31.4% yoy). Meanwhile, overseas operations, mainly in Indonesia and Vietnam, which accounted for c.1.2% of FY23 topline, posted a small net loss owing to a slowdown in Vietnam's residential market. APAC proposed an interim DPS of 1.4 Scts, bringing FY23 DPS to 2.5 Scts.

Resale commissions dragged by slower market volumes

APAC generated lower FY23 brokerage revenue from resale and rental commissions of S\$403.4m (-3.2% yoy), due to a 14.7% yoy decline in private resale transactions to c.12,623 units, while the HDB resale segment recorded a 4.2% yoy dip in volume sales. Meanwhile, the private and HDB rental market registered a 3.9% contraction in leasing volume activity. For FY2024F, APAC expects the private resale segment's volumes (including sub-sales) to improve to c.15-20% yoy, while HDB resale volumes would likely remain stable at 26k-27k. APAC's salesforce of 8,891 agents at end-FY23 was below its earlier guidance target of 9,300; however, management reiterated during its FY23 results commentary that it is maintaining its plans to expand its agent force to 10,000 by 2024F. This should bolster APAC's market share and boost resale and rental commissions in FY24F, in our view. Management also reiterated its strategy to expand its overall volume market share of 40.7% at end-FY23, over the next few years.

New home sales volume recovery should bolster revenue

APAC's FY23 brokerage revenue from new home sales fell 47.8% yoy to S\$145.2m as market transaction volumes declined by 9.5% yoy. That said, it expects new home sales volume to increase to 7,000-8,000 in 2024F, on the back of more new projects launches. This should bolster revenue from new home sales, in our view.

Reiterate Add rating

We lower our FY24-25F EPS by 16.3-18.4% on lower market volume transaction assumptions. Our TP is reduced to S\$0.54, based on an unchanged blend of net cash-adjusted FY24F P/E multiple of 10x and 5-year DCF valuation. We believe APAC should benefit from an anticipated recovery in transaction activity in FY24F and its strategy to grow market share. Potential re-rating catalysts: gaining primary and secondary residential market share by expanding its sales force, and improved earnings momentum from its Vietnam and Indonesia operations. Key downside risks: delayed recovery of the property market due to more property cooling measures, and continued erosion of market share that would slow its earnings recovery.

Financial Summary	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues (S\$m)	705.0	557.3	669.0	760.7	821.7
Operating EBITDA (S\$m)	39.33	18.38	21.39	22.22	24.85
Net Profit (S\$m)	29.69	11.72	13.03	13.73	15.77
Normalised EPS (S\$)	0.084	0.033	0.037	0.039	0.044
Normalised EPS Growth	(16.1%)	(60.5%)	11.2%	5.4%	14.9%
FD Normalised P/E (x)	5.26	13.34	12.00	11.38	9.91
DPS (S\$)	0.063	0.025	0.028	0.029	0.034
Dividend Yield	14.2%	5.7%	6.3%	6.7%	7.7%
EV/EBITDA (x)	3.89	8.47	5.89	5.01	3.89
P/FCFE (x)	6.05	11.86	3.87	5.35	5.28
Net Gearing	(2.1%)	(0.5%)	(18.5%)	(26.5%)	(33.5%)
P/BV (x)	0.98	0.99	0.95	0.92	0.88
ROE	18.5%	7.4%	8.1%	8.2%	9.0%
% Change In Normalised EPS Estimates			(16.3%)	(18.4%)	
Normalised EPS/consensus EPS (x)			0.89	0.84	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (S\$m)	2H		yoy %		FY23		FY22		yoy %		Prev. FY23F Comments
	FY23	FY22	chg	hoh % chg	Cum	Cum	chg	chg			
Revenue	297.6	362.4	-17.9	14.6	557.3	705.0	-21.0	637.7	Below. 2H/FY23: 46.7%/87.4% of our FY23F forecast		
Operating costs	(286.9)	(344.0)	-16.6	14.4	(537.0)	(663.2)	-19.0	(615.2)			
EBITDA	10.7	18.4	-41.8	22.1	20.3	41.8	-51.5	22.5	Below. 2H/FY23: 47.5%/90.2% of our FY23F forecast		
EBITDA margin (%)	3.6%	5.1%	n.m.	n.m.	4%	6%	n.m.	3.5%			
Depreciation/Amortisation	(2.0)	(1.8)	9.6	4.1	(4.6)	(4.9)	-5.5	(3.4)			
EBIT	8.7	16.6	-47.3	27.0	15.6	36.9	-57.6	19.1			
Interest expense	(1.1)	(0.6)	75.3	6.0	(2.1)	(1.0)	116.5	(2.1)			
Interest & invnt inc	-	-	n/a	n/a	-	-	n/a	-			
Associates' contribution	-	(0.1)	-100.0	n/a	-	0.1	-100.0	0.1			
Exceptionals	0.1	(3.1)	-101.8	n/a	0.1	(3.1)	-101.8	-			
Pretax profit	7.7	12.7	-39.2	31.6	13.6	32.9	-58.8	17.1			
Tax	(1.4)	(2.8)	-48.2	-4.4	(3.0)	(6.4)	-54.1	(3.1)			
Tax rate (%)	18.8%	22.0%	n.m.	n.m.	21.8%	19.6%	n.m.	-17.9%			
Minority interests	0.5	(0.0)	-2533.3	-22.9	1.2	0.1	862.3	(0.0)			
Net profit	6.8	9.9	-31.4	35.3	11.8	26.6	-55.7	14.0	Below. 2H/FY23: 48.3%/83.9% of our FY23F forecast		
Core profit	6.7	13.0	-48.4	34.1	11.7	29.7	-60.5	14.0	Below. 2H/FY23: 47.9%/83.5% of our FY23F forecast		
EPS (Scts)	1.91	2.78	-31.4	35.3	3.32	7.48	-55.7	3.95	Below. 2H/FY23: 48.3%/83.9% of our FY23F forecast		
Core EPS (Scts)	1.89	3.66	-48.4	34.1	3.30	8.36	-60.5	3.95	Below. 2H/FY23: 47.9%/83.5% of our FY23F forecast		

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions

FYE Dec (S\$m)	Previous		New		% chg	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Gross revenue	676.3	754.6	669.0	760.7	-1.1%	0.8%
PATMI	15.6	16.8	13.0	13.7	-16.3%	-18.4%
EPS (Scts)	4.38	4.73	3.67	3.86	-16.3%	-18.4%

SOURCES: CGSI RESEARCH ESTIMATES

Figure 3: Singapore developers peer comparison

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 (%)		
						FY22A	FY23F			FY22A	FY23F	FY22A	FY23F	
APAC Realty Ltd	APAC SP	Add	0.44	0.54	116	5.3	13.3	12.0	n.a.	0.98	0.99	14.2%	5.7%	
Capitaland Investment	CLI SP	Add	2.71	4.30	10,201	28.0	44.7	15.3	4.78	-43%	0.90	0.97	4.4%	4.4%
City Developments	CIT SP	Add	5.70	8.97	3,839	213.4	24.9	15.2	16.30	-65%	0.56	0.56	4.9%	2.1%
Frasers Property Limited	FPL SP	Add	0.83	1.41	2,405	na	6.1	11.6	2.56	-68%	0.28	0.30	3.6%	5.5%
Propnex Ltd	PROP SP	Add	0.87	1.04	475	10.4	13.4	12.7	n.a.	n.a.	5.10	5.11	7.8%	6.9%
UOL Group	UOL SP	Add	5.73	8.20	3,594	14.0	17.4	12.9	13.66	-58%	0.45	0.44	3.1%	3.5%
Wing Tai Holdings	WINGT SP	Add	1.45	1.98	820	12.9	17.4	na	3.96	-63%	0.30	0.27	3.4%	3.4%
Singapore average						18.4	16.5	13.1		-53%	0.40	0.42	5.0%	4.7%

SHARE PRICE AS AT 1 MAR 2024

SOURCES: CGSI RESEARCH, BLOOMBERG, COMPANY REPORTS



ESG in a nutshell

APAC's key sustainability pillars include i) Environmental – through innovative solutions in clean energy and operations; ii) Social – through developing people and communities for mutual betterment through innovative culture; and iii) Governance – through implementing and leveraging on robust risk culture and governance to reliably deliver its accountability to stakeholders. APAC has set an annual target to reduce electricity consumption by 1.2% yoy. Its sustainability targets include promoting environmental sustainability, developing employee and salesperson talent and skills, lowering energy consumption and encouraging workforce gender and age diversity. Some of its growth strategies include strengthening and expanding its presence in Singapore, expanding its range of services and geographical presence in the Asia-Pacific region, and enhancing its technological capabilities.

Keep your eye on

Some of the key ESG items that stood out for APAC in FY22 include two 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

Some of APAC's FY22 ESG highlights include achieving its target of lowering electricity consumption for its Singapore and Bangkok offices, by 1.2% yoy in FY22. APAC has lowered the number of Council of Estate Agents (CEA) disciplinary cases by 71% yoy to two in FY22. It has also secured the BCE Green Mark certification 'entry level' for ERA APAC Centre in Singapore, valid till Jul 2025. In terms of community efforts, APAC raised S\$220,000 for the North West Community Development Council (NW CDC) and S\$250,000 for the Hong Kah North Community Club. It had also launched a book donation drive and donated desktops to NW CDC.

Implications

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

Trends

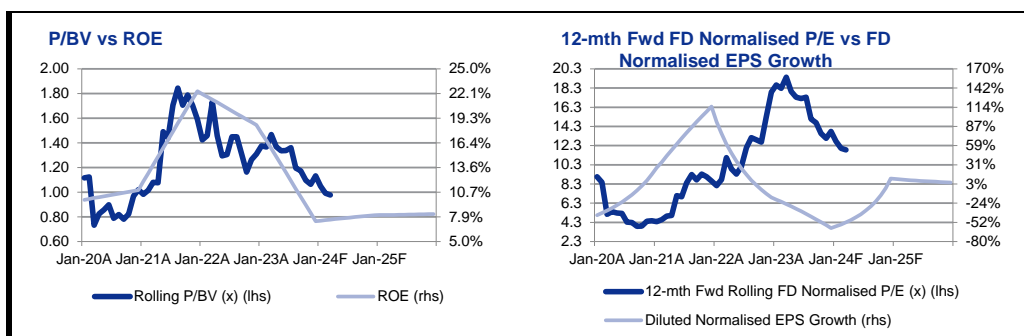
To meet its target to lower energy consumption and CO2 emissions at ERA APAC Centre, the company has installed solar photovoltaic panels on the rooftop of the building. It generated 99,502 kWh of clean, renewable solar energy in 2022.

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 this could lead to improved operational efficiencies and financial performance.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	705.0	557.3	669.0	760.7	821.7
Gross Profit	73.4	55.0	62.3	68.2	74.2
Operating EBITDA	39.3	18.4	21.4	22.2	24.8
Depreciation And Amortisation	(2.4)	(2.7)	(2.7)	(2.7)	(2.7)
Operating EBIT	36.9	15.6	18.6	19.5	22.1
Financial Income/(Expense)	(1.0)	(2.1)	(1.9)	(1.8)	(1.8)
Pretax Income/(Loss) from Assoc.	0.1	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	36.0	13.5	16.7	17.6	20.3
Exceptional Items					
Pre-tax Profit	36.0	13.5	16.7	17.6	20.3
Taxation	(6.4)	(3.0)	(3.7)	(3.9)	(4.4)
Exceptional Income - post-tax					
Profit After Tax	29.6	10.5	13.1	13.8	15.8
Minority Interests	0.1	1.2	(0.0)	(0.0)	(0.0)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	29.7	11.7	13.0	13.7	15.8
Normalised Net Profit	29.6	10.5	13.1	13.8	15.8
Fully Diluted Normalised Profit	29.7	11.7	13.0	13.7	15.8

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	39.33	18.38	21.39	22.22	24.85
Cash Flow from Invnt. & Assoc.	(0.12)	0.00	0.00	0.00	0.00
Change In Working Capital	(1.11)	3.63	19.90	5.05	3.36
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	5.17	(0.55)	3.82	3.82	3.82
Other Operating Cashflow	3.61	9.19	4.12	4.05	4.05
Net Interest (Paid)/Received	(0.49)	(1.80)	(1.91)	(1.84)	(1.84)
Tax Paid	(7.47)	(6.82)	(3.67)	(3.87)	(4.44)
Cashflow From Operations	38.93	22.03	43.65	29.44	29.79
Capex	(2.30)	(1.35)	(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	(6.17)	(4.18)	0.00	0.00	0.00
Cash Flow From Investing	(8.47)	(5.53)	(0.20)	(0.20)	(0.20)
Debt Raised/(repaid)	(4.64)	(3.32)	(3.09)	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(26.64)	(13.68)	(8.88)	(9.90)	(10.43)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(31.28)	(17.00)	(11.97)	(9.90)	(10.43)

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	49.3	44.1	70.9	85.6	100.2
Properties Under Development					
Total Debtors	153.4	102.1	122.0	138.4	149.3
Inventories					
Total Other Current Assets	5.0	11.6	11.6	11.6	11.6
Total Current Assets	207.6	157.7	204.5	235.6	261.1
Fixed Assets	73.9	72.5	69.9	67.4	64.8
Total Investments	2.9	1.3	1.3	1.3	1.3
Intangible Assets	103.5	110.9	109.8	108.7	107.7
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	180.3	184.7	181.0	177.4	173.8
Short-term Debt	45.9	3.1	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	169.1	129.6	169.5	190.9	205.2
Other Current Liabilities	8.3	5.6	5.4	5.4	5.4
Total Current Liabilities	223.3	138.4	175.1	196.5	210.8
Total Long-term Debt	0.0	40.1	40.1	40.1	40.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.4	0.4	0.4	0.4
Total Non-current Liabilities	0.0	40.6	40.6	40.6	40.6
Total Provisions	4.4	4.9	4.9	4.9	4.9
Total Liabilities	227.7	183.8	220.5	242.0	256.2
Shareholders' Equity	160.1	158.4	164.7	170.8	178.3
Minority Interests	0.0	0.2	0.3	0.3	0.3
Total Equity	160.2	158.6	165.0	171.1	178.7

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	(4.7%)	(21.0%)	20.1%	13.7%	8.0%
Operating EBITDA Growth	(14.2%)	(53.3%)	16.4%	3.9%	11.8%
Operating EBITDA Margin	5.58%	3.30%	3.20%	2.92%	3.02%
Net Cash Per Share (S\$)	0.01	0.00	0.09	0.13	0.17
BVPS (S\$)	0.45	0.45	0.46	0.48	0.50
Gross Interest Cover	37.56	7.35	9.77	10.57	12.00
Effective Tax Rate	17.9%	21.9%	21.9%	21.9%	21.9%
Net Dividend Payout Ratio	74.8%	75.8%	76.0%	76.0%	76.0%
Accounts Receivables Days	70.36	82.04	59.89	61.24	62.75
Inventory Days	-	-	-	-	-
Accounts Payables Days	87.74	98.98	82.27	88.02	90.26
ROIC (%)	23.9%	9.9%	11.5%	14.1%	17.0%
ROCE (%)	17.4%	7.5%	8.9%	9.1%	10.0%
Return On Average Assets	7.90%	3.47%	4.11%	3.91%	4.17%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Brokerage from resale and rental (S\$m)	417.0	403.4	519.3	558.7	599.0
Brokerage from project sales (S\$m)	278.2	145.2	146.8	199.2	219.7

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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(a) -

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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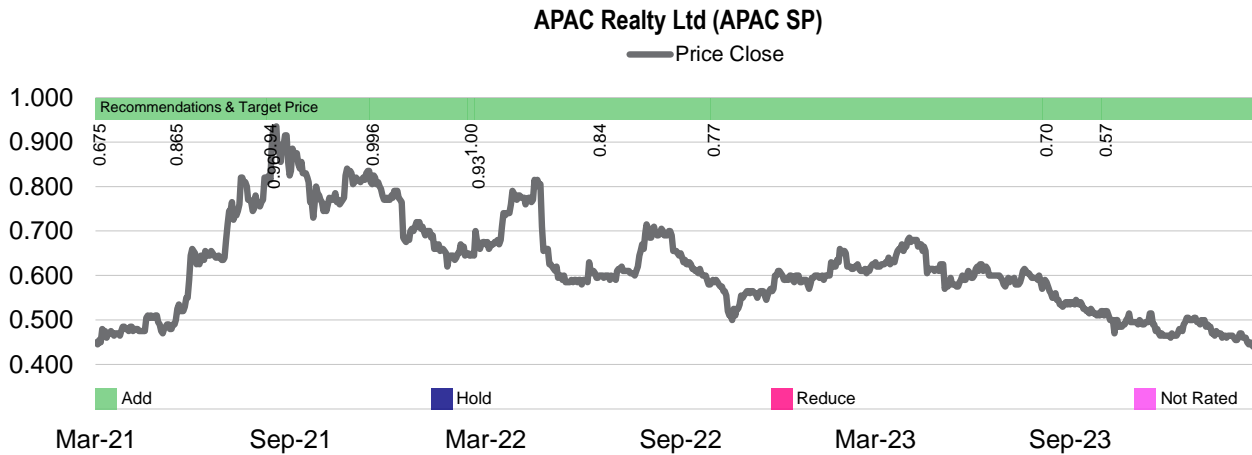
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.