

30 November 2017

Property | Real Estate Oper & Svcs

## APAC Realty

### The Dawn Of a New ERA

We initiate on APAC Realty – a holistic real estate services provider focused mainly in Singapore – with a BUY and a DCF-derived SGD1.20 TP (36% upside), implying 15x FY18F P/E. Its brokerage service, operating under the ERA brand, is a residential segment market leader in Singapore (37.5% market share in 2016). We believe APAC Realty offers the best proxy for investors looking to tap into the surging residential volumes in Singapore, as earnings are predominantly volume-driven. We forecast a 14% increase in FY18F net profit after a 54% surge in 2017, on the back of the residential boom. The stock also offers an attractive dividend yield of 4.4% (FY18) and its net cash position provides room for inorganic growth.

**A holistic real estate services provider.** APAC Realty provides real estate brokerage services in Singapore under the ERA brand. The group also has exclusive regional master franchise rights in 17 countries in the Asia-Pacific region for ERA Realty Network Pte Ltd (ERA Realty). Besides brokerage services, it also derives revenue from franchise, training, valuation and other ancillary services.

**A proxy for the residential boom in Singapore.** YTD-October, Singapore's primary home – excluding executive condominiums (ECs) – and secondary sales have increased by 45% and 67% respectively YoY. Meanwhile, the Property Price Index has only grown by 0.3%. Unlike real estate developers, for which both volume and price recovery are needed for margins expansion, real estate agency commissions are driven purely by volume growth. Thus, we believe APAC Realty is a better way to play the strong buying momentum.

**Market leader with strong pipeline of projects.** The group's market share as a percentage of total transactions has been steadily increasing to 37.5% in 2016 from 25.7% in 2012. A key contributor to this growth has been APAC Realty's project marketing segment. The outlook for this segment seems bright, with ERA Realty already securing 10 projects for launch in 2018 of c.10,000 units. This is more than double the 4,800 units from eight projects in 9M17. As of 3Q17, the group has the second-largest agent network, with a total of 6,285 agents, or c.21% of the total. Singapore accounted for the bulk (99.9%) of revenue in FY16.

**Steady growth from the non-brokerage segment.** Non-brokerage gross profit accounted for 19% of FY16's total and offers earnings stability as it is less cyclical vis-à-vis brokerage. Additionally, in our view, the wide range of training programmes APAC Realty offers, helps in retaining and attracting new agents. We forecast a gross profit CAGR of 6% in 2016-2019 from this segment.

**BUY with a TP of SGD1.20.** Our TP is based on a DCF valuation (WACC: 8%, TG: 0%) and translates into 15x FY18F P/E, a 15% discount to comparable global peers' forward P/E. The stocks also offers an attractive 4.4% dividend yield for FY18F, based on a management guided 50% payout ratio. Upside potential comes from acquisition or expansion of business in new markets.

**Key risks** are increasing competition, disruption from technology players, ability to retain key personnel and concentration risk (earnings) on the local market.

Forecasts and Valuations	Dec-15	Dec-16	Dec-17F	Dec-18F	Dec-19F
Total turnover (SGDm)	233	288	376	410	418
Reported net profit (SGDm)	8.5	15.9	24.5	27.8	28.4
Recurring net profit (SGDm)	8.5	15.9	24.5	27.8	28.4
Recurring net profit growth (%)	(30.7)	87.2	54.3	13.6	2.1
Recurring EPS (SGD)	0.02	0.04	0.07	0.08	0.08
DPS (SGD)	0.07	0.00	0.01	0.04	0.04
Recurring P/E (x)	37.0	19.8	12.8	11.3	11.1
P/B (x)	4.99	3.99	2.44	2.21	2.01
Dividend Yield (%)	8.0	na	1.0	4.4	4.5
Return on average equity (%)	11.9	22.4	23.6	20.5	19.0
Return on average assets (%)	5.6	9.8	12.5	12.1	11.6
Net debt to equity (%)	36.2	0.3	net cash	net cash	net cash
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

**Buy**

Target Price:	SGD1.20
Price:	SGD0.89
Market Cap:	USD234m
Bloomberg Ticker:	APAC SP

#### Share Data

Avg Daily Turnover (SGD/USD)	2.64m/1.98m
52-wk Price low/high (SGD)	0.66 - 0.96
Free Float (%)	26
Shares outstanding (m)	355
Estimated Return	36%

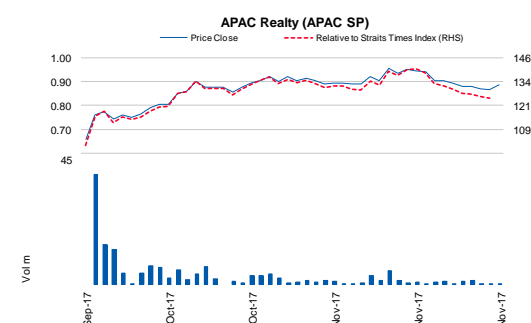
#### Shareholders (%)

Choon Hong Tan	72.0
FIL Investment Management	4.3
Qilin Asset Management	3.5

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute		(3.8)			
Relative		(5.5)			

Source: Bloomberg



Source: Bloomberg

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## Financial Exhibits

Financial model updated on: 2017-11-28.

Asia	<b>Financial summary</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Singapore	Recurring EPS (SGD)	0.02	0.04	0.07	0.08	0.08
Property	EPS (SGD)	0.02	0.04	0.07	0.08	0.08
<b>APAC Realty</b>	DPS (SGD)	0.07	0.00	0.01	0.04	0.04
Bloomberg	BVPS (SGD)	0.18	0.22	0.36	0.40	0.44
Buy	Weighted avg adjusted shares (m)	355	355	355	355	355
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
DCF methodology.	Recurring P/E (x)	37.0	19.8	12.8	11.3	11.1
	P/E (x)	37.0	19.8	12.8	11.3	11.1
	P/B (x)	4.99	3.99	2.44	2.21	2.01
<b>Key drivers</b>	FCF Yield (%)	1.7	7.2	9.5	10.3	10.1
i. Pick-up in Singapore real estate sales volumes;	Dividend Yield (%)	8.0	0.0	1.0	4.4	4.5
ii. Growth in market share and agents;	EV/EBITDA (x)	25.8	15.1	8.2	6.8	6.2
iii. Expanding the franchise network and training services.	EV/EBIT (x)	29.3	16.4	8.6	7.1	6.5
<b>Key risks</b>	<b>Income statement (SGDm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
i. Disruption from technology advances;	Total turnover	233	288	376	410	418
ii. Retaining key management and agents;	Gross profit	31	40	53	57	59
iii. Loss of market share.	EBITDA	13	21	31	35	36
	Depreciation and amortisation	(2)	(2)	(1)	(1)	(2)
<b>Company Profile</b>	Operating profit	11	19	30	34	34
APAC Realty Pte. Ltd. is one of the largest real estate agencies in Singapore and has regional master franchise rights to 17 countries in the Asia-Pacific region.	Net interest	(1)	(1)	(0)	0	0
	Pre-tax profit	10	18	30	34	34
	Taxation	(2)	(2)	(5)	(6)	(6)
	Recurring net profit	8	16	25	28	28
	<b>Cash flow (SGDm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
	Change in working capital	(3.8)	3.4	2.7	1.7	0.4
	Cash flow from operations	7.1	22.7	30.5	33.0	32.4
	Capex	(1.8)	(0.1)	(0.6)	(0.6)	(0.6)
	Cash flow from investing activities	(2.1)	(0.1)	(0.6)	(0.6)	(0.6)
	Proceeds from issue of shares	0.0	0.0	28.3	0.0	0.0
	Dividends paid	(25.0)	0.0	(3.1)	(13.9)	(14.2)
	Cash flow from financing activities	(9.0)	(19.0)	16.9	(20.1)	(15.4)
	Cash at beginning of period	18.2	14.2	17.7	64.6	77.0
	Net change in cash	(4.0)	3.5	46.8	12.4	16.3
	Ending balance cash	14.2	17.7	64.6	77.0	93.3
	<b>Balance sheet (SGDm)</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
	Total cash and equivalents	14	18	65	77	93
	Tangible fixed assets	2	1	2	2	2
	Intangible assets	102	101	100	99	99
	Total other assets	0	0	0	0	0
	Total assets	155	170	221	238	254
	Short-term debt	6	6	6	0	0
	Total long-term debt	31	12	0	0	0
	Total liabilities	92	91	93	95	97
	Shareholders' equity	63	79	129	143	157
	Total equity	63	79	129	143	157
	Net debt	23	0	(59)	(77)	(93)
	Total liabilities & equity	155	170	221	238	254
	<b>Key metrics</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
	Revenue growth (%)	6.6	23.7	30.6	9.1	2.1
	Recurrent EPS growth (%)	(30.7)	87.2	54.3	13.6	2.1
	Gross margin (%)	13.4	13.9	14.0	13.9	14.0
	Operating EBITDA margin (%)	5.6	7.2	8.3	8.5	8.5
	Net profit margin (%)	3.6	5.5	6.5	6.8	6.8
	Dividend payout ratio (%)	294.6	0.0	12.5	50.0	50.0
	Capex/sales (%)	0.8	0.0	0.2	0.1	0.1
	Interest cover (x)	9.85	17.11	83.01		

Source: Company data, RHB

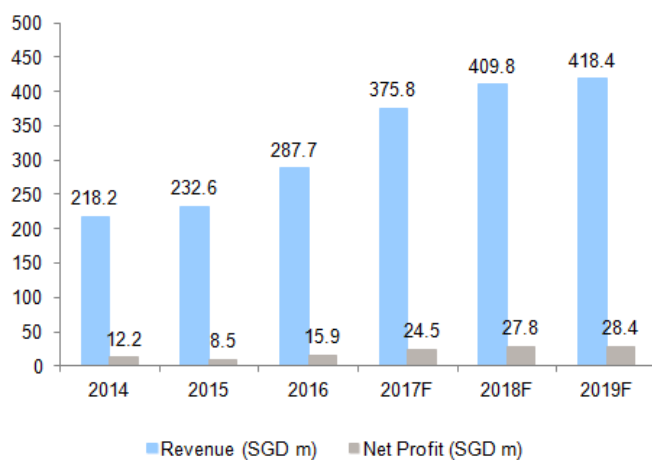
## Financials

**Forecasting a 3-year net profit CAGR of 21%.** We forecast for a healthy net profit growth of 54% and 14% for FY17-18 respectively. This comes on the back of a 3-year revenue CAGR of 13%, driven by a strong estimated rebound in property transaction volumes domestically (see the Singapore Residential Market Overview section on page 17 for further details). YTD 9M17, net profits rose by 65% to SGD 18.0m.

In terms of revenue breakdown, brokerage income from new sales accounts for 23% of our FY17F total revenue, brokerage income from resale and rental property accounts for 76%, with the non-brokerage segment accounting for the rest.

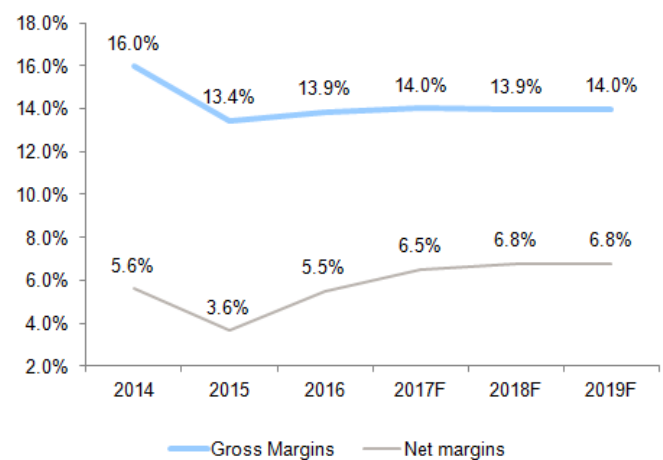
Gross margins are expected to improve slightly (+0.16ppts) for FY17, in our view, driven by higher primary sales volumes that command increased margins. The estimated better net margins of 6.5% and 6.8% for FY17-18 respectively (FY16: 5.5%) are derived from operating leverage from APAC Realty's higher fixed cost structure.

**Figure 1: APAC Realty's revenue and net profit**



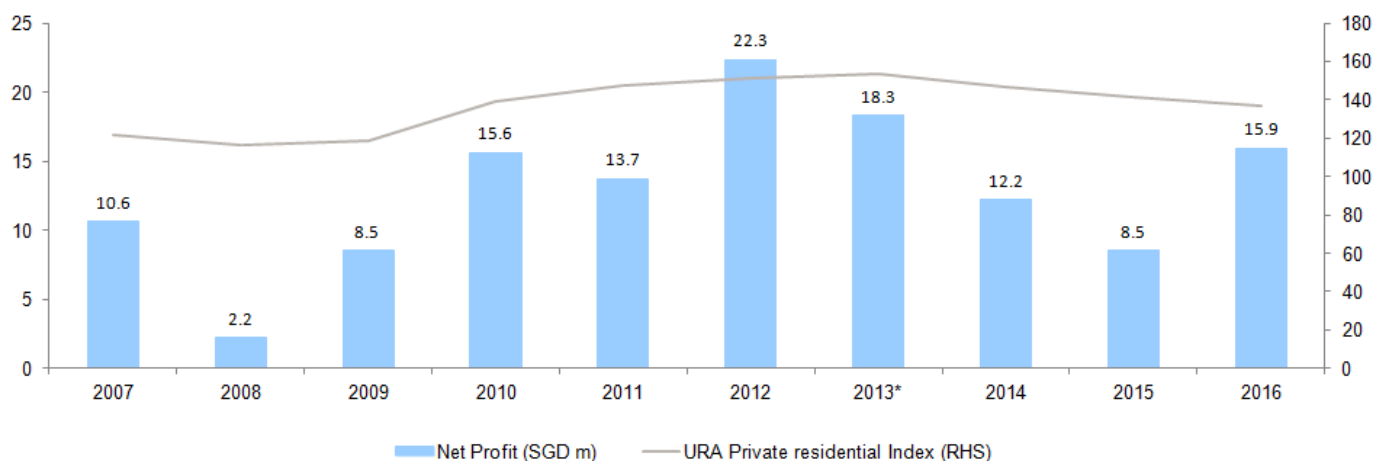
Source: RHB, Company data

**Figure 2: APAC Realty's gross and net margins**



Source: RHB, Company data

**Figure 3: APAC Realty's historical net profit trends**



Note: \*Excludes expenses related to the acquisition of its subsidiaries from Hersing Corp

Source: Company data

**Key assumptions.** The key drivers to our earnings model are:

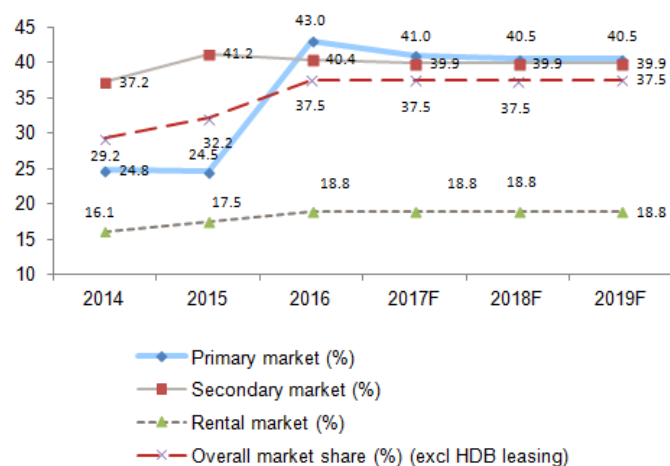
- Transaction volume growth;
- Market share;
- Commissions as a percentage of transacted volumes.

We have assumed for primary and secondary sales volumes in the private property market to rebound by 40% and 50% respectively for 2017. This is on the back of the strong pick-up in buying interest. Housing and Development Board (HDB) resale transactions are expected to grow 5% in 2017.

Note that our assumptions are conservative, considering that the YTD-October private primary and secondary sales (private) segments have already increased by 45% and 67% respectively. For FY18 we assumed flat primary sales and a 12% increase in secondary (private) sales.

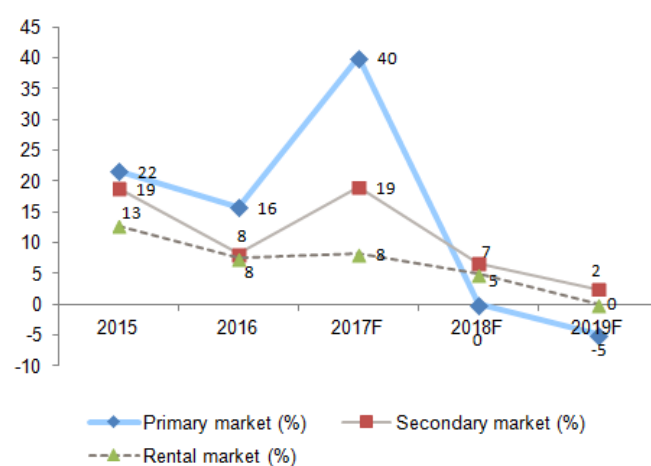
On market share, in 2017 we are forecasting slight 2ppt and 0.5ppt declines for primary and resale market transactions respectively. This is due to increased competition and the ongoing consolidation in the domestic brokerage sector. The rental transaction market share is expected to remain fairly steady, in our view.

**Figure 4: APAC Realty's market share historical and assumptions**



Source: RHB, Company data

**Figure 5: Singapore market transaction volume growth assumptions**



Source: RHB, Company data

**Sensitivity analysis.** As our earnings forecasts are highly sensitive to the underlying assumptions, we did a sensitivity study on APAC Realty's transactions value growth and market share. Based on our calculations, every  $\pm 5\%$  change in transaction value (primary and secondary combined) would result in a corresponding around  $\pm 6\%$  change in FY18F net profit. Similarly, a  $\pm 1$ ppt change in market share would have an about  $\pm 4\%$  impact on the group's FY18F net profits.

We believe our growth assumptions are conservative. We opine for potential earnings upside if the strong recovery in property transaction volumes continue and APAC Realty is able to grow its market share.

**Figure 6: APAC Realty's FY18F net profit (SGDm) – sensitivity to market share and percentage changes in transaction value**

Transaction volume % chg.	(15.00)	(10.00)	(5.00)	-	5.0	10.0	15.0
<b>Vs. chg. In market share</b>							
(3)	19.7	21.4	23.0	24.7	26.4	28.0	29.7
(2)	20.6	22.3	24.0	25.8	27.5	29.2	30.9
(1)	21.5	23.3	25.0	26.8	28.5	30.3	32.1
-	22.4	24.2	26.0	27.8	29.6	31.4	33.2
1	23.3	25.2	27.0	28.9	30.7	32.6	34.4
2	24.2	26.1	28.0	29.9	31.8	33.7	35.6
3	25.1	27.1	29.0	31.0	32.9	34.9	36.8

Source: RHB

Figure 7: FY18F net profit percentage changes to transaction value, as well as market share changes

Transaction volume % chg. Vs. chg. In market share	(15.00)	(10.00)	(5.00)	-	5.0	10.0	15.0
(3)	-29%	-23%	-17%	-11%	-5%	1%	7%
(2)	-26%	-20%	-14%	-8%	-1%	5%	11%
(1)	-23%	-16%	-10%	-4%	3%	9%	15%
-	-19%	-13%	-6%	0%	6%	13%	19%
1	-16%	-10%	-3%	4%	10%	17%	24%
2	-13%	-6%	1%	8%	14%	21%	28%
3	-10%	-3%	4%	11%	18%	25%	32%

Source: RHB

**Earnings seasonality.** Based on historical data, the brokerage income for rental and resale transactions is typically stronger in the last two quarters of a year. The lower brokerage income in the first two quarters of any given year is mainly attributable to decreased transaction volumes in the year-end and Lunar New Year festive seasons. The time lag between the entry into and completion of such transactions is also a factor.

For FY14-16, 1H rental and resale brokerage income typically accounted for 44-45%, with 2H accounting for the rest.

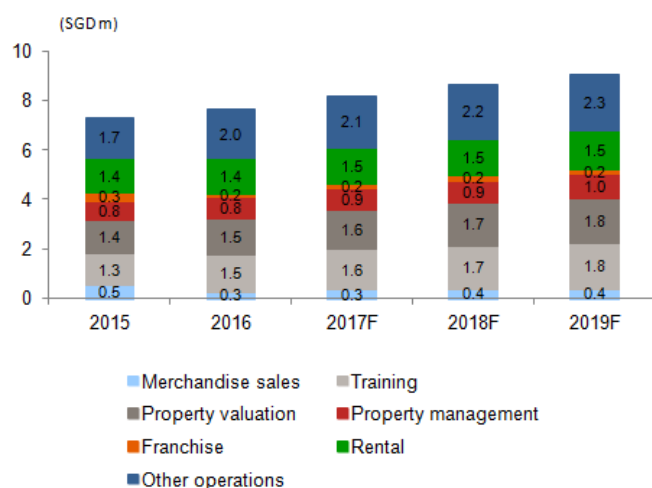
**Steady growing recurring income base lends stability.** GP from APAC Realty's non-brokerage business increased 4% YoY in FY16, and we forecast a 7% and 6% growth for 2017 and 2018 respectively. Such growth is expected to be driven by:

- Increases in training demand;
- Higher demand for property valuations;
- The property management segment.

The growing non-recurring income – which is less cyclical to market conditions – is likely to provide earnings stability, in our view. For FY16, non-brokerage GPs accounted for 19.1% of total GPs. Training and property valuations are the biggest contributors to FY17F GPs, accounting for 20.1% and 19.7% respectively.

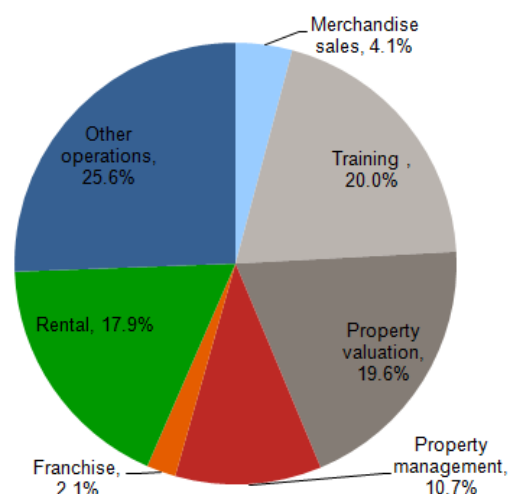
Other operating revenue comprises, among others, incentive, referral and administration fee income, and professional indemnity insurance fees.

Figure 8: APAC Realty's non-brokerage GP breakdown



Source: RHB, Company data

Figure 9: APAC Realty's non-brokerage GP breakdown (FY17F)

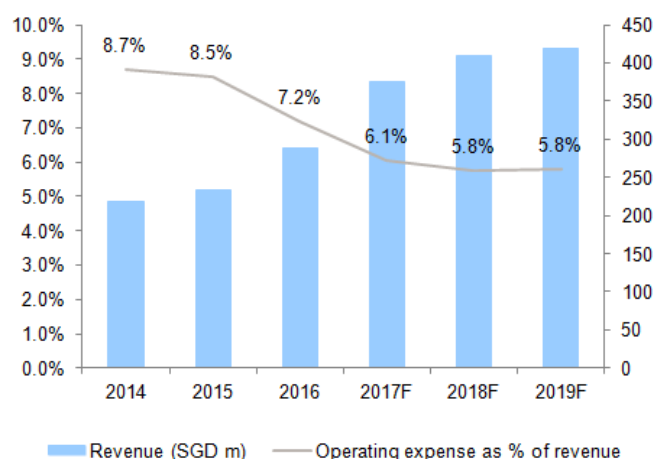


Source: RHB

**Operating leverage and costs.** We expect the opex as a percentage of revenue to come down to 5.8% by 2018 from 7.2% in 2016 – the key reason being economies of scale, as opex can be shared across a larger network of agents.

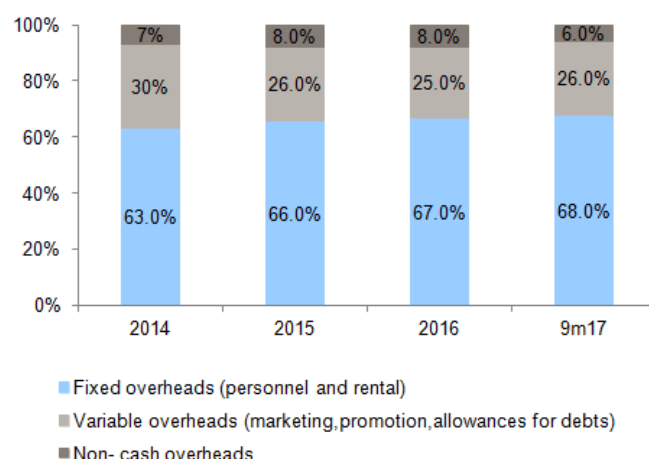
About 68% of APAC Realty's operating costs were fixed in nature for 9mFY17. While revenue grew by 32% in 2014-2016, opex only rose by 8% during the same period. For 9M17, opex (excluding the IPO expenses) as percentage of revenue stood at 6.2%.

Figure 10: APAC Realty's opex as a percentage of revenue



Source: RHB, Company data

Figure 11: APAC Realty's opex breakdown



Source: Company data

**Healthy dividend yield of 4.4%.** APAC Realty intends to pay out at least 50% of after tax net profit as dividends for FY17 (from the listing date) and FY18. In our model, we have assumed that the group would have a payout of 50% of FY18 earnings translating into a healthy dividend yield of 4.4%.

**Strong net cash position and low capex requirements provides dividend upside.** As at 3Q17, APAC Realty has no debt and is in a SGD48.1m net cash position. With low capex requirements, the net cash position provides room for growth through acquisitions and higher dividends.

**Taxation.** As the group's operations are predominantly in Singapore, it is subjected to a corporate tax rate of 17%. For FY14-16, its effective tax rate stood at 18%, 17.9% and 16.9% respectively. The effective tax rates were generally higher than the statutory tax rates, mainly due to the effect of non-tax deductible expenses. For forecasting in our model, we have assumed a standard tax rate of 17%.

## Valuation

**BUY with a TP of SGD 1.20.** Our DCF-derived TP is based on a:

- Risk-free rate of 2.75%;
- Weighted average cost of capital (WACC) or Cost of Equity (COE) of 8%. In As the company is debt free, the WACC rate is equal to the COE;
- 0% terminal growth.

The TP corresponds to 15x FY18F P/E, which is at a 15% discount to the comparable global peers' forward P/E average (Figure 13). This P/E multiple of 15x sounds fair, considering APAC Realty's relatively smaller size and concentration on the domestic property market. We have also provided a comparison of large-cap peers and one technology-based peer, which are currently trading at much higher P/E multiples.

**Figure 12: APAC Realty's DCF valuation table**

(SGD m)	FY18F	FY19F	FY20F	FY21F	Terminal Value
EBIT * (1- Tax rate)	27.8	28.4	29.6	29.6	
Add: Depreciation and Amortisation	1.5	1.5	1.5	1.7	
Less : Working capital changes	1.7	0.4	0.4	1.1	
Less : Capex	0.6	0.6	1.0	2.0	
Total Free Cash Flow	27.0	29.0	29.7	28.2	353.0
Discount factor (years)	0.5	1.5	2.5	3.5	3.5
PV of Free Cash Flow	26.0	25.8	24.5	21.6	269.7
Sum of PV of FCF	97.9				
PV of Terminal Value	269.7				
Enterprise Value	367.6				
Add: Net Cash	58.6				
Total Equity Value (SGD m)	426.2				
No. of shares (m)	355.2				
Value per share (SGD)	1.20				
<b>Assumptions</b>					
Risk-free rate	2.75%				
Market return	8.0%				
Beta	1.0				
Equity risk premium	5.3%				
Cost of Equity (or) WACC	8.0%				
Terminal Growth	0%				

Source: RHB



Figure 13: Global peers comparison table

Company Name	Market Cap (USDm)	Exchange listed	EV/EBITDA FY17	FY16 P/E (x)	F17 P/E (x)	Price/Book (X)	Dividend Ind Yield (%)	ROE (%)	Total Debt/ Equity (%)	Total Debt/ Total Asset (%)
<b>Large Cap Peers</b>										
CBRE Group	14,417	New York	10.0	18.2	16.1	3.8	N.A	23.5	124.4	35.3
Colliers International Group	2,385	New York	8.6	32.7	21.1	9.8	0.2	34.7	75.6	22.0
Realogy	3,603	New York	9.1	16.4	17.1	1.5	1.4	9.2	150.3	50.0
<b>Average</b>	<b>6,802</b>		<b>9.2</b>	<b>22.4</b>	<b>18.1</b>	<b>5.0</b>	<b>0.8</b>	<b>22.5</b>	<b>116.8</b>	<b>35.8</b>
<b>Mid-small Cap Peers</b>										
Re/Max Holdings	1,579	New York	13.7	35.3	27.4	2.0	1.4	5.7	543.0	75.4
Sinyi Realty	848	Taiwan	N.A	8.9	9.5	2.4	2.5	29.1	42.3	16.7
Century 21 Real Estate - Japan	138	Tokyo	8.0	16.1	N.A	2.6	3.7	16.9	1.9	1.6
Japan Living Service	45	Tokyo	N.A	16.8	N.A	0.7	3.1	4.5	36.9	21.3
Savills	1,768	London	5.2	17.6	13.5	3.5	1.6	28.0	8.8	3.1
Countrywide PLC	347	London	7.9	N.A	N.A	0.5	N.A	5.7	61.1	30.4
Foxtons Group PLC	263	London	11.4	18.6	25.7	1.4	1.1	7.7	0.0	0.0
LSL Property Services PLC	352	London	6.8	4.8	10.1	2.0	4.0	20.5	17.3	8.9
Midland Holding	186	Hong Kong	11.4	5.6	10.9	1.1	N.A	20.2	30.0	9.5
McGrath Ltd	61	Australia	4.3	N.A	24.3	N.A	5.1	N.A	6.2	4.8
Hopefluent Group	285	Hong Kong	N.A	6.7	N.A	0.9	1.4	13.7	10.4	7.1
<b>Average - Comparable Peers</b>	<b>534</b>		<b>8.6</b>	<b>14.5</b>	<b>17.4</b>	<b>1.7</b>	<b>2.6</b>	<b>15.2</b>	<b>68.9</b>	<b>16.3</b>
<b>Technology Peer</b>										
Zillow Group Inc	8,053	New York	92.4	N.A	81.0	3.0	N.A	-0.5	14.5	11.7

Note: \*Price close as at 28 Nov 2017

Source: RHB, Bloomberg

## Business Model

APAC Realty is a real estate services provider that operates real estate brokerage in Singapore under the *ERA* brand. The group has been granted exclusive *ERA* regional master franchise agreement (MFA) rights for certain countries in the Asia-Pacific region by Realogy Holdings Corp (Realogy) pursuant to the regional MFA.

The agreement has an initial term of 30 years, which expires in 2029. APAC Realty has the option to renew for additional 30-year terms (see Appendix D for details of renewal and termination). This is provided that the group is not in a material default of any provisions stipulated under the regional MFA.

The business of APAC Realty is split into three segments:

- i. Real estate brokerage services;
- ii. Franchise arrangements;
- iii. Training, valuation, and other ancillary services.

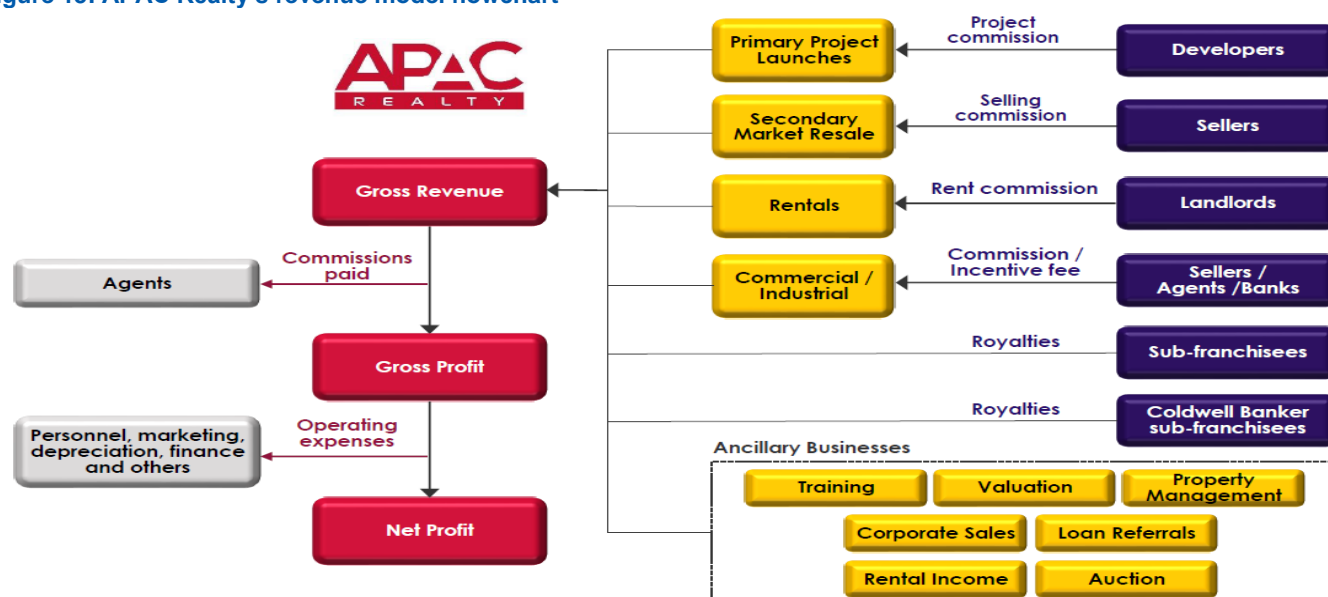


Figure 14: Overview of APAC Realty's businesses



Source: Company

Figure 15: APAC Realty's revenue model flowchart



Source: Company

The real estate brokerage services segment is the major contributor to revenue and GP, accounting for 97% and 81% respectively in 2016. The services are operated by its wholly-owned subsidiary ERA Realty under the ERA brand. ERA Realty is an industry pioneer with a 35-year track record. It is also one of Singapore's largest real estate agencies, with 6,285 salespersons as at end-September.

Revenue from this segment is mainly derived through the provision of property brokerage services and commission-based fees from:

- New home sales;
- Resale and rental of residential, commercial and industrial properties.

One of the key focuses for ERA Realty is project sales. The project sales team comprises 13 experienced staff members. The firm has executed over 158 marketing launches in Singapore since 2007.

**The commissions structure.** Commission fees are received via the sale or rental of properties. The commissions earned by agents from sellers, developers and landlords are paid directly to ERA Realty, following which the agent's commission share is then deducted and paid out to the agent.

The commissions split between ERA Realty and its agents vary according to the type of transaction and seniority of the agent, as described below. The commissions split also differs for project sales, where all agents receive 90% of the commissions received, regardless of the cumulative gross broker commission (GBC). For details on various commission structures, please refer to Appendix B.

**Figure 16: APAC Realty's commissions scheme for its agents**

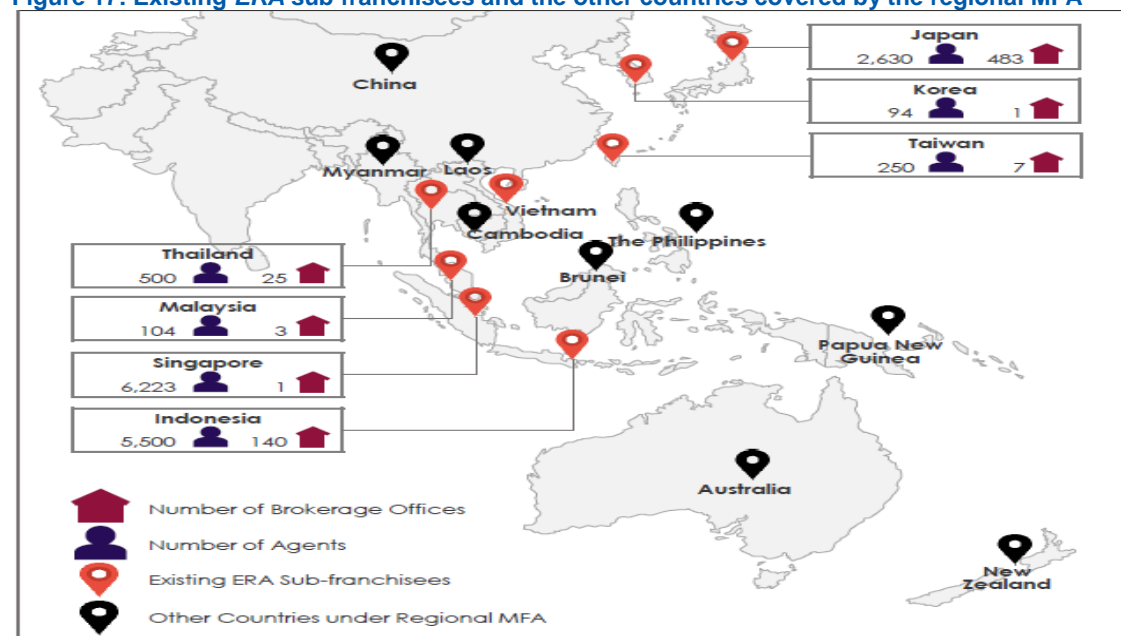
Cumulative commissions	Commissions payout to agents
SGD18,000 and below	70%
SGD18,001-38,000	75%
SGD38,001-68,000	80%
SGD68,001-88,000	85%
Above SGD88,000	90%

Source: Company data

**The franchise agreement** contributions are relatively small, accounting for 2% of non-brokerage GP in 2016. APAC Realty acquired the exclusive ERA Realty regional master franchise rights for the Asia-Pacific region from Realogy in 1999. The group has sub-licensed the *ERA* brand and use of certain *ERA* marks to sub-franchisees in Japan, South Korea, Taiwan, Thailand, Malaysia, Vietnam, Indonesia and Singapore (under its subsidiary ERA Singapore Pte Ltd).

APAC Realty also holds the franchise rights in Singapore for Coldwell Banker Real Estate LLC (Coldwell Banker), one of the oldest and most established real estate companies in the US. As at 31 Mar, the group has 21 Coldwell Banker sub-franchisees in Singapore that, collectively, have over 100 agents registered with them.

**Figure 17: Existing ERA sub-franchisees and the other countries covered by the regional MFA**



Source: Company

**Training, valuation and other ancillary services.** APAC Realty's wholly-owned subsidiary, Realty International Associates Pte Ltd (RIA), operates training programmes and courses for real estate agents. This is in preparation for professional certification exams and as part of Continuing Professional Development (CPD) regulations.

RIA was established in 1979 with the objective of meeting the increasing demand for real estate-related information in Singapore by improving communication channels among:

- i. Real estate agencies;
- ii. Financial institutions;
- iii. Developers...

...as well as developing new products and services for the real estate brokerage sector. RIA comprises three departments, ie valuations, property management, and training.

**The valuation department** provides customers – such as government agencies, financial institutions, companies, and individuals – with professional valuation services for various purposes. This includes the sale of properties, mortgages, insurance and company listings.

In May 1993, RIA was appointed as an approved appraiser by the HDB to provide valuation consultancy services with respect to HDB resale of residential properties. This was for the purpose of determining the quantum of mortgage loans to be offered by the board to purchasers of such resale units. As at 31 Mar, RIA employed four licensed appraisers to provide such services. In addition, it provides consultancy services on property tax matters.

**The property management department** manages condominium developments in Singapore. Projects managed include Park Natura, Seven Nassim, The Paterson, The Aston and Villas La Vue. The duties and responsibilities – in the course of managing a development – include maintenance, administration, and general upkeep, as well as the collection of maintenance and sinking funds on behalf of the management committee.

This department also provides property management services for individual property owners. The fees earned by RIA's property management department are typically contract-based recurring fees.

**The training department** provides agents with comprehensive training, career development and leadership programmes. In addition, RIA provides continuing professional development training for its agents. It also provides such services to agents from other agencies as well. Training fees income has been growing steadily, increasing by 25.2% in 2014-2016.

**Figure 18: Training, career development and various leadership programmes offered**



Source: Company

## Key Competitive Strengths

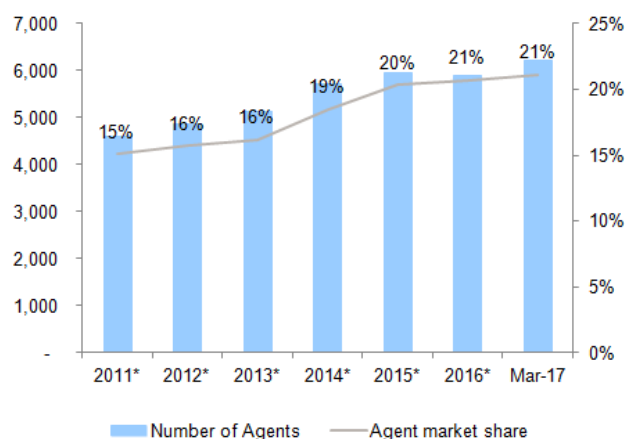
**Demonstrated strong ability to grow agents and market share.** As at 30 Sep, with 6,285 agents, ERA Realty was the second-largest agency in Singapore by number of agents. Post a recent merger with Dennis Wee Group (DWG), PropNex Realty (PropNex) is the market leader in Singapore by number of agents with 6,688 agents as at 10 Jul.

During 2011-2016, ERA Realty's agent network increased steadily at a 5-year CAGR of 5% pa. This growth happened despite the implementation of some stringent cooling measures in Singapore's property market. These measures have impacted transaction volumes and prices over the last three years.

More importantly, ERA Realty's market share – as percentage of overall transaction value – has increased by more than 10ppts during the same period to 37.5%. We believe the firm's ability to attract and retain agents is due to its:

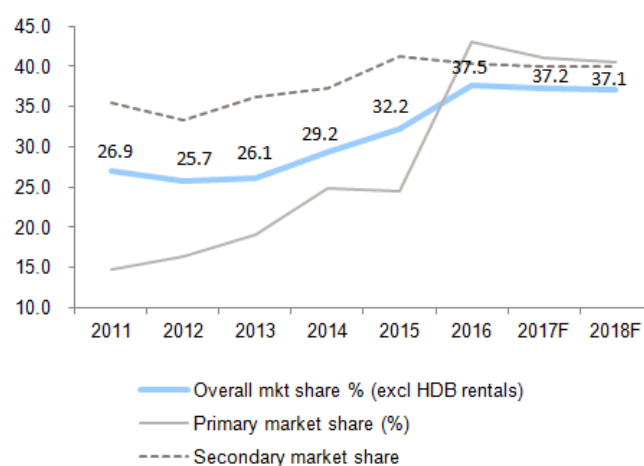
- i. Strong brand name;
- ii. Established record;
- iii. Relationship with developers;
- iv. Extensive training and development programmes.

**Figure 19: Agents and market share**



Note: \*Data as at 1 Jan of the following year  
Source: Company data, Cushman & Wakefield

**Figure 20: Market share as a percentage of the overall transaction value**

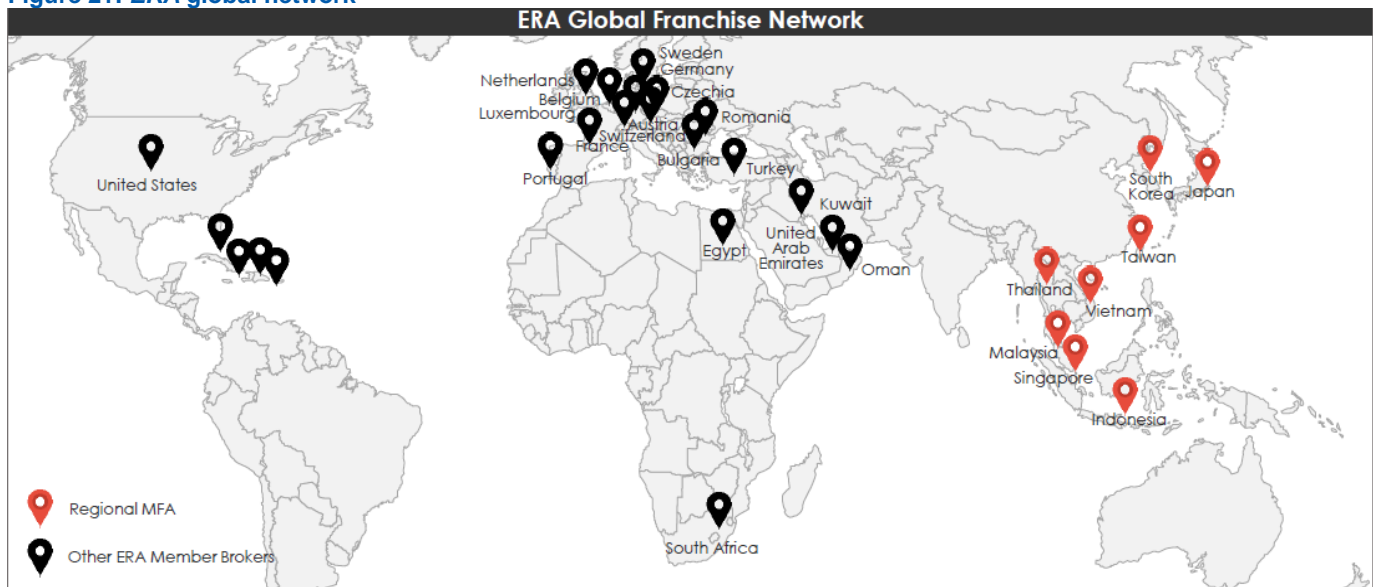


Source: RHB, Cushman & Wakefield

**The global network provides a much wider reach.** In 2016, ERA Realty was the largest ERA broker member globally in terms of number of transactions. It was also one of the largest by transaction value.

The large network helps agents tap into a grid of 83 other ERA member brokers globally in order to reach out to overseas customers. This network access provides a tremendous advantage, as the Singapore real estate market attracts a wide range of interest from investors from across the world. Internationally, the ERA global franchise network under Realogy comprises over 37,000 agents in 2,350 offices across 32 countries as at 31 Dec 2016.

Figure 21: ERA global network



Source: Company

**A strong project pipeline indicates a stronger growth ahead.** ERA Realty is one of the well established players in the project marketing segment. It has launched 158 projects and sold more than 34,000 residential units since 2007.

Other major players, according to Cushman & Wakefield, include Huttons Asia Pte Ltd (Huttons Asia) (whose strength lies in mass market projects), and Savills Singapore and Knight Frank Pte Ltd, who are stronger in project marketing for luxury developments.

Out of the 23 projects launched in 2016, 14 (or 66% of the total units launched) were awarded to ERA Realty – either as sole or joint project marketing agent. The outlook for 2017 looks bright, with the firm having secured eight projects. These, either as a sole or joint project marketing agent, are:

- i. The Clement Canopy (505 units);
- ii. Grandeur Park Residences (720 units);
- iii. Seaside Residences (841 units);
- iv. Park Place Residence at PLQ (429 units);
- v. iNz Residence (497 units);
- vi. Martin Modern (450 units);
- vii. Hundred Palms Residences (520 units);
- viii. Le Quest (516 units).

This contributed to 91% of the total number of units in all new project launches YTD-July. For 2018, ERA Realty has already secured more than 10 projects to be launched in 2018, with close to 10,000 residential units available for sale.



Figure 22: Projects launched in 2016

No.	Project	No. of Units
1	Cairnhill Nine	268
2	The Wisteria	216
3	Wandervale (EC)	534
4	Sturdee Residences	305
5	The Visionaire (EC)	632
6	Gem Residences	578
7	Northwave (EC)	358
8	Treasure Crest (EC)	504
9	Victoria Park Villas	109
10	Forest Woods	519
11	The Alps Residences	626
12	Parc Riviera	752
13	Straits Mansions	25
14	Terra Villas	7
<b>Total</b>		<b>5,433</b>

Source: Company data, Cushman &amp; Wakefield

Figure 23: Projects launched in 2015

No.	Project	No. of Units
1	Kingsford Waterbay	1165
2	Marine Blue	124
3	Signature at Yishun (EC)	525
4	Symphony Suites	660
5	The Brownstone (EC)	638
6	The Criterion (EC)	505
7	The Poiz Residences	731
8	The Vales (EC)	517
9	Thomson Impressions	288
10	Westwood Residences (EC)	480
11	Neem Tree	84
12	Ardmore Three	84
<b>Total</b>		<b>5,801</b>

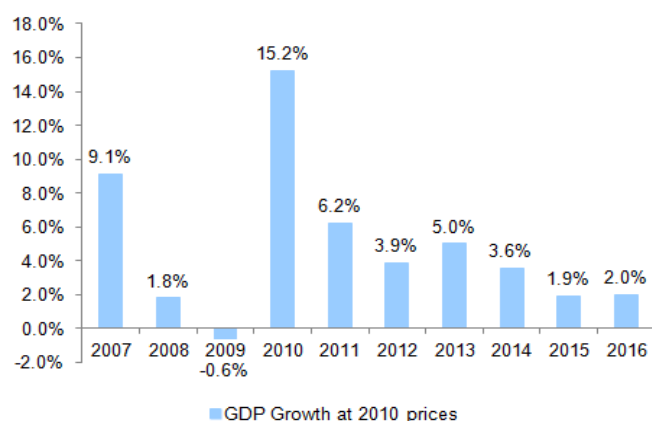
Source: Company data, Cushman &amp; Wakefield

**Focus on Singapore, which is in the cusp of a strong volume-led recovery.** The Singapore market accounted for 99.9% of APAC Realty's FY16 revenue. According to data from Real Capital Analytics, the island republic's cross-border and domestic real estate investments – across all real estate sectors – stood at USD13.5bn in 2016. This makes Singapore the sixth-largest real estate investment destination in the Asia-Pacific after China, Australia, Japan, Hong Kong and South Korea.

Foreign investments in domestic properties also reached a 9-year high in 2016 at SGD8.9bn (+62% YoY), ie the best result since the SGD15.3bn outlay in 2007.

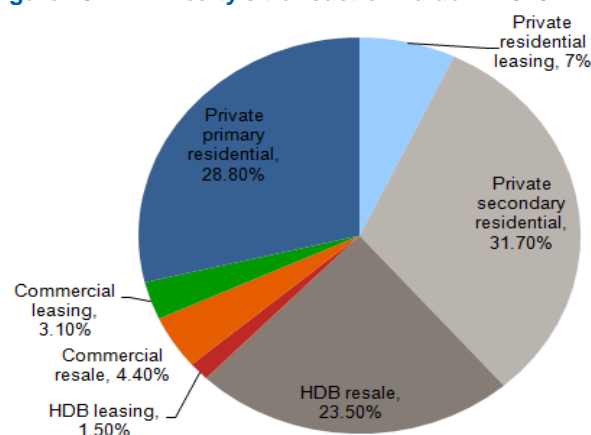
Based on the Ministry of Trade and Industry's (MTI) latest forecasts, the country's GDP is expected to grow at 3-3.5% this year – outpacing the 2% growth in 2016. While residential prices continue to moderate, both primary and secondary volumes have seen a strong recovery. This should yield a direct benefit to APAC Realty.

Figure 24: Singapore's GDP growth



Source: Statistics Singapore (SingStat)

Figure 25: ERA Realty's transaction value in 2016



Source: Company data

## Future Growth Strategy

**Expanding range of real estate services.** APAC Realty intends to grow its business by a two-fold diversification strategy. This is in order to achieve more stable earnings and stay ahead of the competition by:

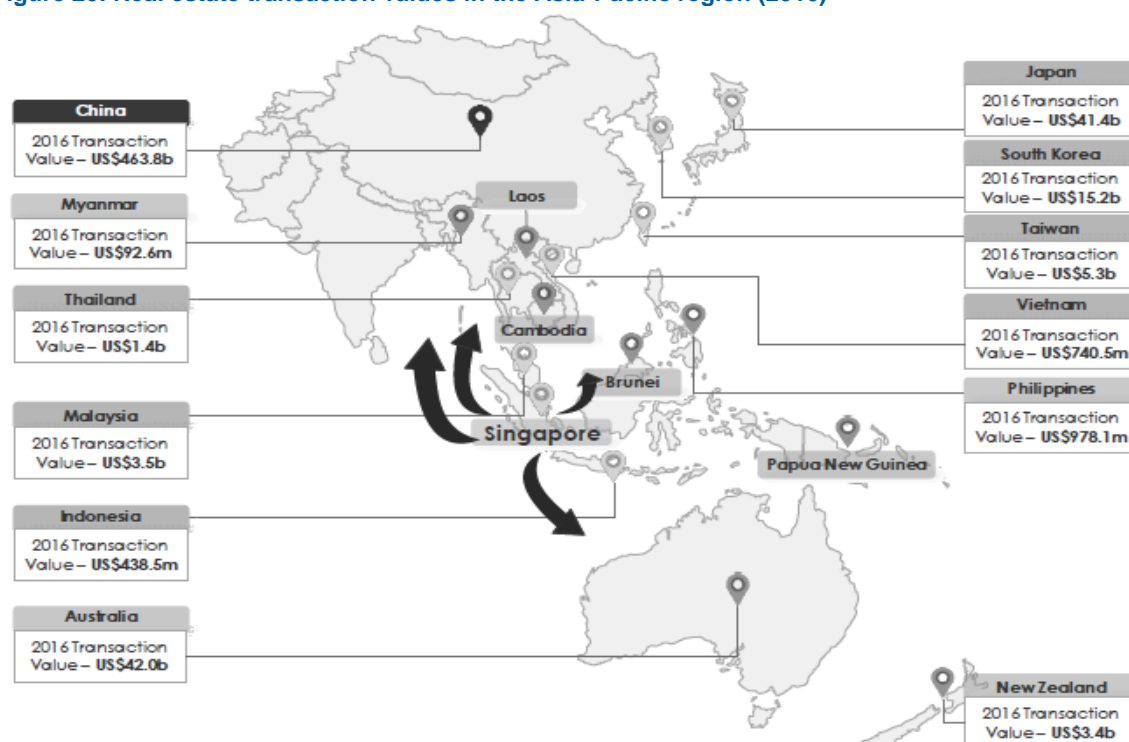
- i. **Diversifying into other areas of real estate-related services** that offer higher margins while maintaining a focus on the brokerage business;
- ii. **Increasing exposure to other sources of income**, such as training, valuation, property management, commercial and industrial leasing, purchasing, auction, research and facilities management – all of which offer earnings stability.

**Expanding its geographical presence in the Asia-Pacific region.** The group intends to expand and deepen its presence in key markets in the Asia-Pacific region, either by:

- i. Setting up brokerage offices;
- ii. Entering into sub-franchise arrangements with local operators;
- iii. Acquiring an existing agent network (subject to any applicable non-compete restrictions).

Key target markets in the near-term include China and Indonesia. Management believes such a strategy would help in developing an additional source of income, create synergies with its Singapore operations, and diversify its exposure to the domestic residential property market.

**Figure 26: Real estate transaction values in the Asia-Pacific region (2016)**



Source: Independent market research

**Enhanced technological capabilities.** APAC Realty plans to enhance its technological capabilities by creating and/or acquiring new tools to increase its business efficiency and offer better levels of service to its customers and agents. This would be achieved through investments and/or partnerships with third parties.

The group currently offers various tools such as mobile applications (eg *i-ERA* and *ERA SG Projects*), a website (*ERA Singapore*), a customer relationship and management system (*24/7 PropWatch*) and *MyERA*, an internal portal used by its agents and customers to facilitate the execution of real estate transactions.



## Key Risks

**Loss of market share from industry consolidation.** Increasing compliance requirements, competition and poor market sentiment during the last few years have led to a consolidation among the smaller brokerages. If the consolidation trend intensifies and ERA Realty fails to maintain its market share or number of agents, it may have an adverse impact on APAC Realty's topline and bottomline.

**Technology advances squeezing commissions structures and margins.** The property market in Singapore, thus far, has been relatively less impacted by disruptors from the technology field. Further advancements in technology-enabled real estate products and governments' digitalisation push could negatively impact its business model in the future. An entry into the market by overseas players such as Redfin (RDFN US, NR) and Purplebricks (PURP LN, NR) could also further squeeze the group's commissions structure and margins.

**Ability to retain key management and agents.** APAC Realty's business model is heavily reliant on the performance of its management team and agents. Thus, the group's ability to retain and continuously train its agents plays a crucial role in its success.

**Reputation and brand damage.** The business is highly reliant on its brand image and goodwill among its customers. Any reputational damage to the ERA brand arising from potential misconducts of its employees (eg fraudulent conduct, adverse social media commentary, etc.) could have a negative impact to its operations.

**Prolonged decline in the Singaporean economy.** APAC Realty's performance is heavily correlated to the performance of the Singaporean economy and local property market. A prolonged decline in the economy, or decrease in real estate prices and transaction volumes, may hurt its financial performance.

**Policy changes impacting the property sector.** The implementation of further cooling measures – in the form of additional taxes and lower loan to value (LTV) limits – could hurt demand for the residential sector. This would result in lower commissions.

**Regulatory changes.** The brokerage sector in Singapore is regulated by the Council of Estate Agents (CEA). Any changes or tightening in regulations governing the industry players could potentially result in a loss of agents and lower commissions.

**Relationships with property developers.** About 23% of APAC Realty's revenue for FY16 was derived from the brokerage of new home sales. This segment's revenue depends on ERA Realty's close working relationships with property developers and the network's execution abilities. Thus, deterioration in APAC Realty's working relationships with major developers may negatively impact the performance of the segment.

**Failure to renew license and franchisee rights.** An unexpected termination of agency licensing or franchise rights due to a breach of contractual agreement – or the insolvency of the group – may result in severe negative impacts on APAC Realty's financials and reputation.

## Singapore Residential Market Overview

Singapore had a population of 5.6m as at 2016 and total land area of 719.2sq km. This makes it one of the most densely-populated countries in the world. The island republic also has one of the highest resident home ownership rates in the world, at above 90%.

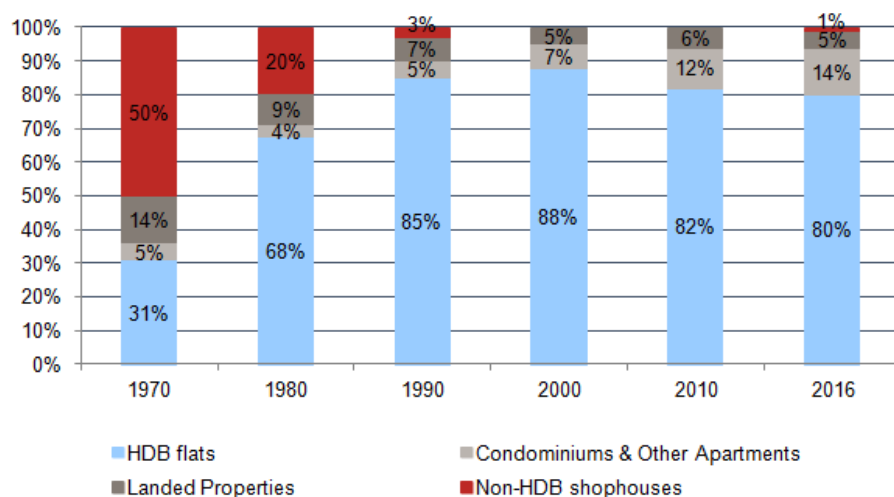
The housing landscape consists of two distinct markets:

- i. Public housing (otherwise known as HDB flats);
- ii. Private property.

According to the HDB's latest annual report, as at 2016, there are 1m HDB flats nationwide, providing homes to 82% of the resident population. Singapore's private housing segment, on the other hand, comprises 372,000 private residential units (including ECs and landed homes), or 27% of the entire Singapore housing stock.

ECs are a hybrid between HDB flats and private properties, and come with certain eligibility criteria and selling restrictions. These cater to a selected group of Singaporean citizens whose household income does not exceed SGD14,000.00 per month. The proportion of households living in condominiums and other apartments has been steadily increasing since 1980, as seen in the chart below (Figure 26).

Figure 27: Households by dwelling type



Source: SingStat

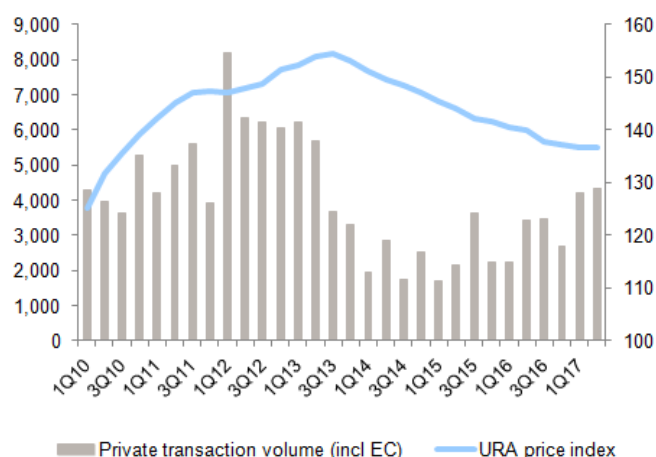
**Private primary market overview.** Private property demand has been on an uptrend over the last three years, with 11,565 units sold in 2016 from 9,987 units in 2015. A prolonged low interest rate environment – combined with minor relaxations in the Government's property cooling measures in March – has further increased interest in private residential demand (primary). YTD-October growth of units sold up was 45% YoY, based on the latest data from the Urban Redevelopment Authority (URA).

We expect demand to remain firm going forward, aided by strong GDP growth, a reduction in household sizes, and pick-up in foreign demand.

According to Cushman & Wakefield, the total market value of private residential new transactions amounted to c.SGD12.6bn in 2016. ERA Realty's market share in the Singapore private primary residential market has more than doubled over the past six years as its network expanded. Its market share based on transaction value and volume stood at 43% and 41% respectively in 2016. This was up from 15% (value) and 16% (volume) in 2011.

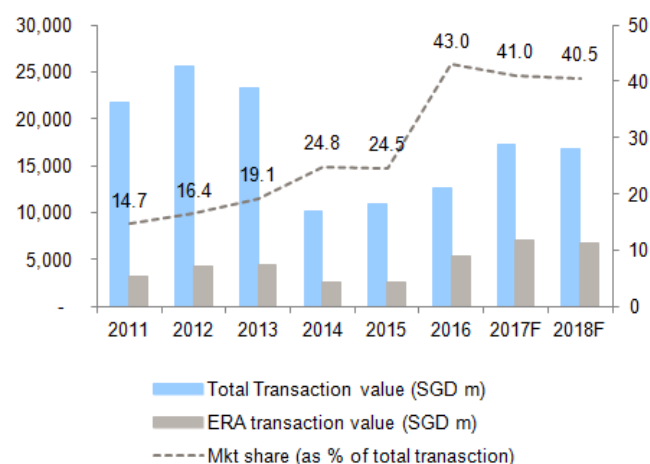
Looking ahead, we expect a slight decline of 2ppts in market share (as a percentage of transaction value), mainly due to the intensifying competition from industry consolidation.

Figure 28: Private transaction volumes and price index



Source: Urban Redevelopment Authority (URA), RHB

Figure 29: Primary transaction value and market share



Source: RHB, Cushman &amp; Wakefield, Company data

**Private resale market overview.** Based on data from Cushman & Wakefield, total transaction value in the secondary market in 2016 – including both sub-sales and resale transactions – was approximately SGD17.3bn (+27% YoY).

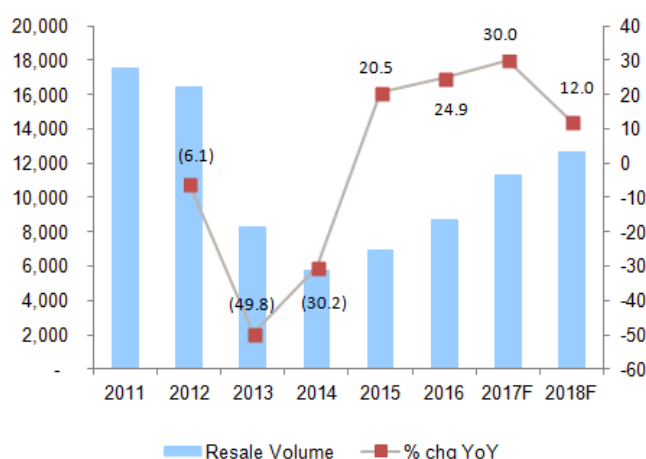
The total number of transactions in the secondary market last year stood at 8,688 units, ie 25% and 51% higher than the 6,954 and 5,770 units recorded in 2015 and 2014 respectively.

YTD-October also saw 12,019 units being transacted, up from 7,219 units during the same period last year.

The market share in 2011-2015 for ERA Realty increased steadily to 38% (from 33%) – in terms of transaction value – through its larger network of agents. There was a decline in market share in 2016 for both transaction volume and value when compared to the preceding year. This was likely due to the allocation of more resources to the primary market segment, after the firm clinched more project marketing appointments in 2016.

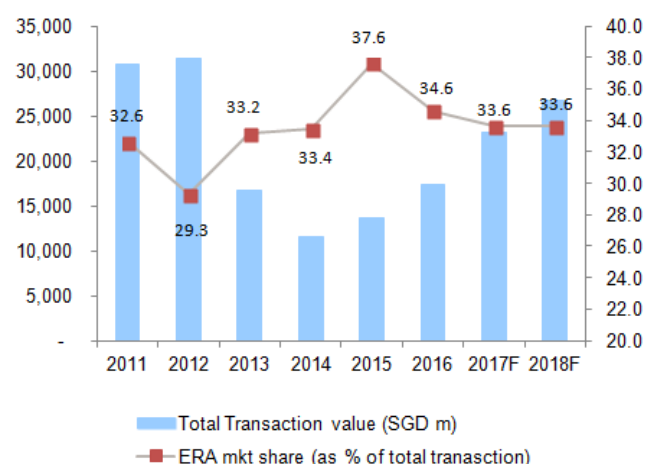
We forecast a slight 1ppt decline in 2017, as we expect the focus to remain on primary projects, which offer comparatively higher margins.

Figure 30: Private resale market transactions



Source: RHB, Cushman and Wakefield, Company data

Figure 31: Private resale transaction value



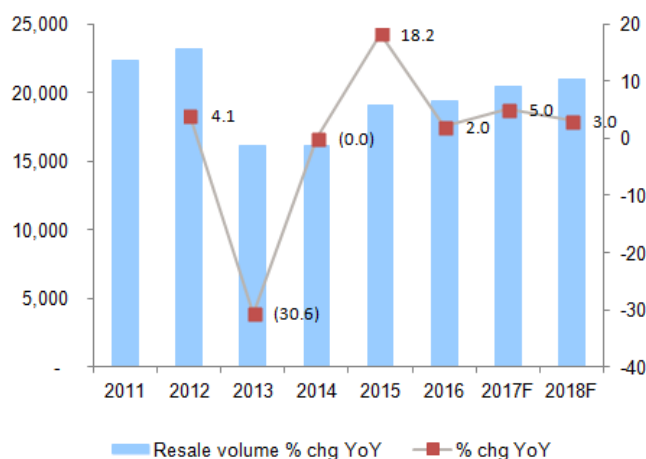
Source: RHB, Cushman and Wakefield, Company data

**HDB resale market overview.** Based on Cushman & Wakefield data, resale HDB transaction volumes grew 3% YoY in 2016 after increasing 18% in 2015. Correspondingly, YoY transaction value rose 2.8% and 16.2% in 2016 and 2015 respectively.

In 1Q17, HDB resale transaction volumes stood at 4,530 units, an uptick from the 4,449 units recorded over the same period in the preceding year.

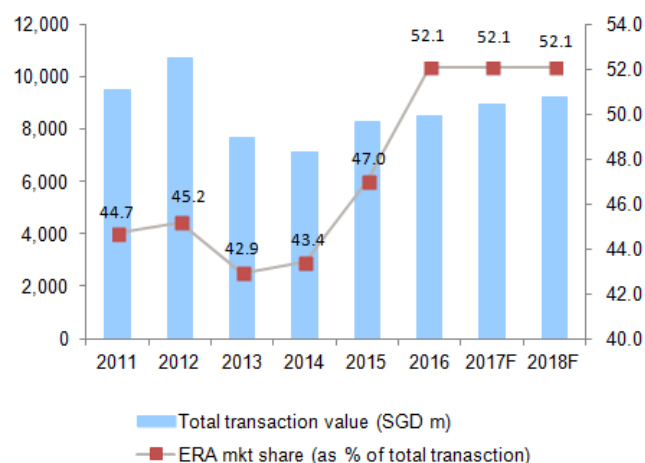
ERA Realty's market share – in terms of transaction value in the resale HDB segment – stood at 52% in 2016, up from 47% in the preceding year. We expect this share to be maintained at current levels going forward.

**Figure 32: HDB resale transactions**



Source: RHB, Cushman & Wakefield, Company data

**Figure 33: HDB resale transaction value**

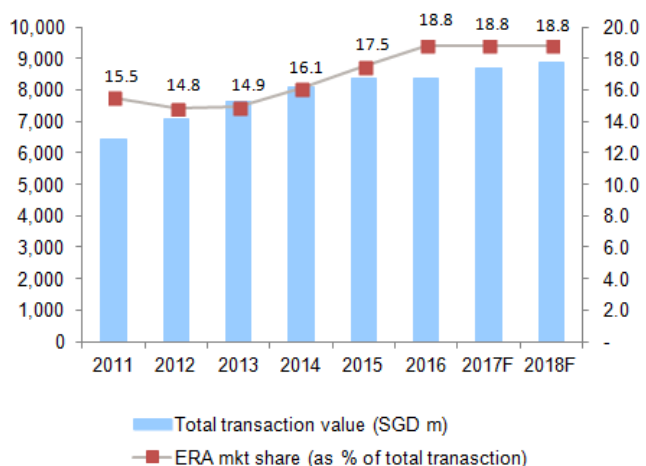


Source: RHB, Cushman & Wakefield, Company data

**Rental market overview.** According to Cushman & Wakefield, total market value of private residential leasing deals amounted to SGD7.4bn in 2016, with 75,765 leases (+7.7% YoY) transacted. In 1Q17, leasing volume also improved with 18,896 leases, reflecting a 9% increase from the 17,322 leases booked in 1Q16. ERA Realty had a market share of 18% in 2016 (+1.5ppt) in terms of total value of private residential leases transacted. We expect the market share in this segment to be maintained at the same levels.

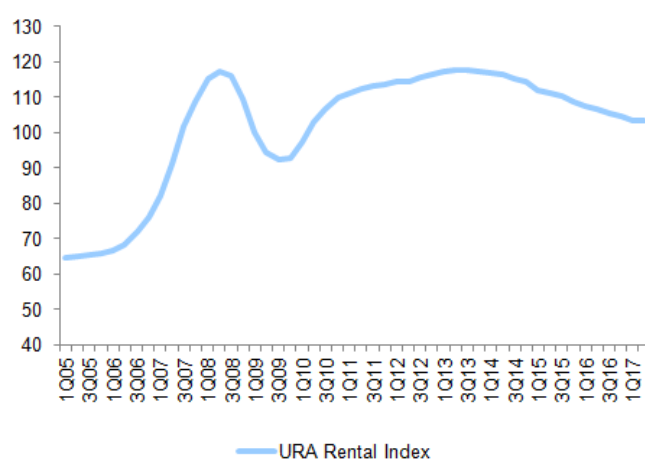
The volume of HDB rentals increased at a CAGR of 11.3% in 2011-2016, while the number of HDB leases transacted by ERA Realty only increased at a CAGR of 5.1% over the same period. This was likely due to the allocation of resources towards more profitable segments, such as project marketing in the primary home sales market. This resulted in a lower market share of 24% in 2016 from 32% in 2011. The combined market share (HDB and private leasing) for 2016 stood at 18.8%. For the next two years, we forecast ERA Realty's market share (HDB and private combined) to remain flat.

**Figure 34: Total rental transaction value (primary and HDB)**



Source: RHB, Cushman and Wakefield, Company data

**Figure 35: URA Rental Index**



Source: RHB, URA, HDB

## Brokerage Industry Overview

In Singapore, there were a total of 1,319 agencies and 29,466 agents registered with the CEA as at 31 Mar. Registered agents from the Top 10-largest real estate agencies have been steadily increasing to 75% as at March from 68% in 2012.

According to Cushman & Wakefield, the industry experienced a decline in both the number of registered agencies and agents after the imposition of the Total Debt Servicing Ratio (TDSR) framework in mid-2013. This resulted in a sharp reduction in property transaction volumes.

**Figure 36: Number of registered agents**

Real Estate Agency	January						Mar 2017
	2012	2013	2014	2015	2016	2017	
1 ERA Realty	4,613	4,874	5,138	5,707	5,947	5,885	6,223
2 Propnex Realty	3,919	4,438	5,151	5,357	5,506	5,560	5,706
3 Huttons Asia	2,162	2,623	3,199	3,179	2,852	2,919	3,024
4 Orangetee.com	2,362	2,414	1,978	1,850	2,348	2,343	2,444
5 Edmund Tie & Company Property Network	1,982	2,048	1,934	1,835	1,387	1,152	1,123
6 Dennis Wee Realty	1,946	1,415	1,321	1,331	1,186	1,005	1,054
7 Savills Residential	869	895	766	738	700	732	708
8 Global Alliance Property (C21 / GA)	493	557	644	466	666	709	626
9 Knight Frank Property Network	586	1,027	928	792	621	765	662
10 HSR International	1,971	1,707	1,372	1,056	578	478	492
<b>Total for Top 10 Agencies</b>	<b>20,903</b>	<b>21,998</b>	<b>22,431</b>	<b>22,311</b>	<b>21,791</b>	<b>21,548</b>	<b>22,062</b>
Others	9,674	9,042	9,352	8,519	7,471	6,849	7,404
<b>Total</b>	<b>30,577</b>	<b>31,040</b>	<b>31,783</b>	<b>30,830</b>	<b>29,262</b>	<b>28,397</b>	<b>29,466</b>
Total for Top 10 Agencies (% of Total)	68%	71%	71%	72%	74%	76%	75%

Source: Council of Estate Agents (CEA) public register

**Property agents.** Salespersons – commonly known as property agents – are individuals that practise estate agency transactions in expectation of a commission in relation to a property transaction. Property agents can represent a client such as a seller/landlord or a buyer/tenant to facilitate a property transaction. Bound by the Estate Agents Act, agents are not allowed to represent both parties in a single transaction. Even if the agent serves both parties in a single transaction, he can only collect commissions from one party to avoid any potential conflicts of interest.

According to Cushman & Wakefield, there is no single standard sales commission rate imposed by the industry. Commission rates may vary, depending on the:

- i. Health of the property market;
- ii. Urgency to transact by the client;
- iii. Complexity of the deal.

Currently, the typical commission paid in the industry to agents from agencies range between 70-90%. This is dependent on the experience and performance of the salesperson (see Appendix B for details on commission structure for various market transactions).

**Industry competition.** Key competitors to ERA Realty include PropNex, Huttons Asia, OrangeTee.Com Pte Ltd (OrangeTee.Com) and Edmund Tie & Company Property Network Pte Ltd (Edmund Tie & Co).

According to Cushman & Wakefield, the firm's diversified presence across different residential segments has resulted in it being less susceptible to market volatility. This is when compared to other market players, which are focused on either the primary or resale markets. ERA Realty has also established itself as one of the market leaders in project marketing.

**PropNex and DWG merger.** On 12 Jun, PropNex announced that it would merge with DWG. The real estate agency said that, with the merger, the total strength of the merged organisation would be close to 7,000 agents. Based on the industry agent count as at 10 Jul, PropNex is currently the market leader with 6,688 agents. In second place is ERA Realty, with 6,176 agents.

**Figure 37: Top 5 agencies and agent count (as at 10 Jul)**

Rank	Estate agency	No. of agents
1	PropNex Realty	6,688
2	ERA Realty	6,176
3	Huttons Asia	3,129
4	OrangeTee.Com	2,795
5	Edmund Tie & Co	1,126

Source: CEA public register

**Disruption from technology players.** According to Cushman & Wakefield, disruptors have entered the global real estate industry with mixed results. The more prominent disruptions that have taken place in the global industry have been from transaction-based models, eg Redfin and Purplebricks. Nonetheless, no mass disruption across multiple markets by a single provider has taken place, perhaps reflecting the fragmented nature of the global real estate industry.

To date, the introduction of disruptors in Singapore's real estate sector has been relatively limited when compared with other markets globally, eg the US, UK and Australia. In Singapore, the established real estate technology players include PropertyGuru, iProperty.com, SRX Property and TheEdgeProperty.com. These are listing portals – real estate agents are still required for transactions to take place.

Rather than competing with the traditional brokerage business, these real estate technologies serve to extend the reach of agents, providing for greater ease in closing deals. Nonetheless, according to Cushman & Wakefield, there have been various technology-enabled and self-sale products available, although their scale and use are still limited. For example, the emergence of various do-it-yourself (DIY) real estate platforms – eg *DirectHome*, *SnappyHouse*, *OhMyHome* and *Yotcha.com* – have allowed transactions to be made more easily without a broker and, hence, allow for cost savings.

Currently, these firms have not had much success in scaling their platforms and penetrating the domestic real estate market, which predominantly transacts via real estate brokers. In addition, leveraging on technology ERA Realty has launched a new customised property technology solution called *FindPropertyAgent.sg*. The new portal streamlines the property search process and enhances the matching process, while allowing its agents to focus on other important tasks and improve overall productivity.

**DIY transactions of HDB flats without brokers.** According to Cushman & Wakefield, an increasing number of HDB buyers and sellers are choosing not to use the services of brokers. At the same time, the emergence of various DIY real estate platforms has allowed transactions to be made more easily.

According to numbers provided by the HDB, the proportion of resale flat buyers and sellers who have engaged in DIY transactions rose to 24% in 2016 from 11% in 2010. It was reported by the Ministry of National Development that 23% of resale transactions carried out in the first five months of 2016 were transacted without a broker.



## Key Milestones

APAC Realty's real estate brokerage business started in Feb 1982 when the founder of Hersing Corp (Hersing) (the then holding company of the group) acquired the ERA Realty franchise for Singapore. In 1998, Hersing was listed on the SGX-ST and also acquired the Coldwell Banker franchise rights for Singapore from Realogy. Hersing was later privatised and delisted from the SGX-ST by its then shareholders in 2012.

In Jul 2013, APAC Realty was incorporated in Singapore under the Companies Act as a private company limited by shares under the name of Realty Partners Group Pte Ltd. In May, it changed its name to APAC Realty Pte Ltd.

**Figure 38: APAC Realty's key milestones**

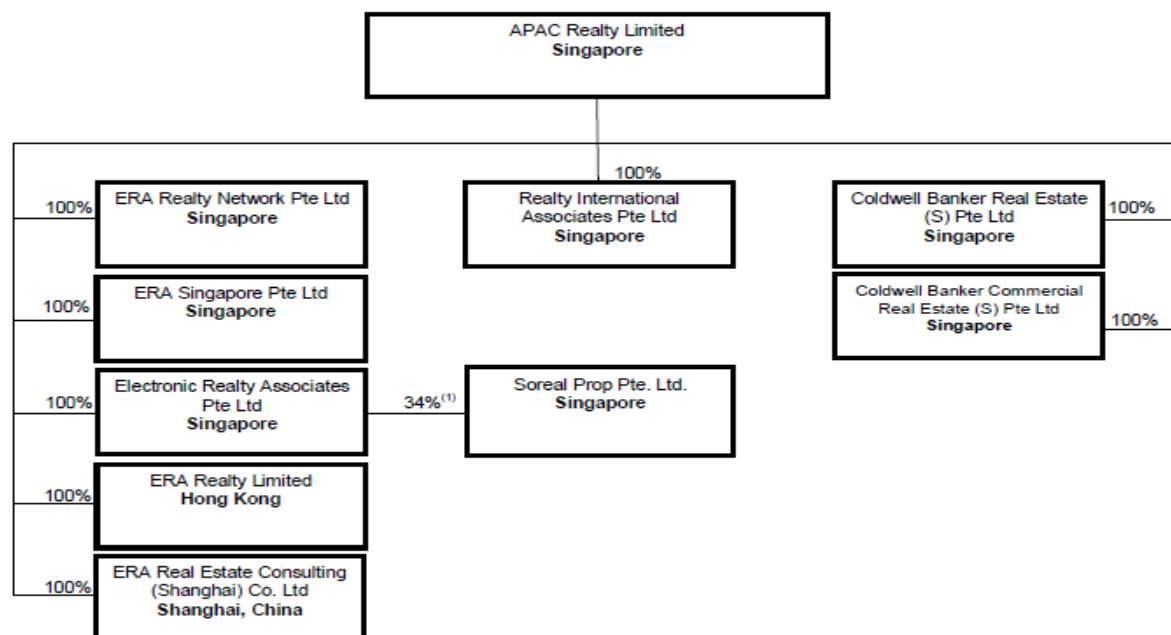
Year	Milestone
1982	APAC Realty's real estate brokerage business commenced in February 1982 after ERA Realty (formerly known as Realty Network Pte Ltd until 3 July 1992) secured ERA Member Broker status from Electronic Realty Associates, Inc. (a predecessor-in-interest of Realogy) to operate an ERA Member Broker Office in Singapore under the brand name "ERA" pursuant to a Membership Agreement. The founder of Hersing (the then-holding company of APAC Realty) acquired the ERA franchise for Singapore.
1990	ERA Singapore entered into the Singapore MFA with Electronic Realty Associates, Inc. pursuant to which ERA Singapore was granted the exclusive right to grant memberships to parties to operate ERA Member Broker Offices in Singapore pursuant to Membership Agreements.
1993	RIA was appointed to the panel of valuers approved by the HDB to whom the HDB will allocate valuation assignments for the HDB-resale transactions.
1998	Hersing completed its initial public offering and listing on the SGX-ST. Hersing acquired the Coldwell Banker franchise rights for Singapore from Realogy pursuant to the Coldwell Banker Franchise Agreement.
1999	Hersing acquired the exclusive ERA master franchise rights for the Territories in the Asia-Pacific region from Realogy pursuant to the Regional MFA, and was assigned the then-existing sub-franchisees in the Territories, including ERA Singapore.
2011	The RIA School of Real Estate, a division of RIA, became an Approved Course Provider appointed by the CEA.
2012	Hersing was privatised and delisted from the SGX-ST by its then-shareholders.
2013	APAC Realty was incorporated and acquired subsidiaries from Hersing, hence becoming the holding company of APAC Realty. Hersing also assigned all of its rights, title and interest and delegated all its duties and obligations under the Regional MFA and the Coldwell Banker Franchise Agreement to APAC Realty.
2016	ERA was Singapore's Largest Real Estate Agency for the sixth consecutive year according to the CEA Public Register and was ranked #1 Largest Real Estate Agency by Singapore Business Review for the third consecutive year.
2017	Expanded APAC Realty's presence to Vietnam through the appointment of a subfranchisee.

Source: Company, RHB



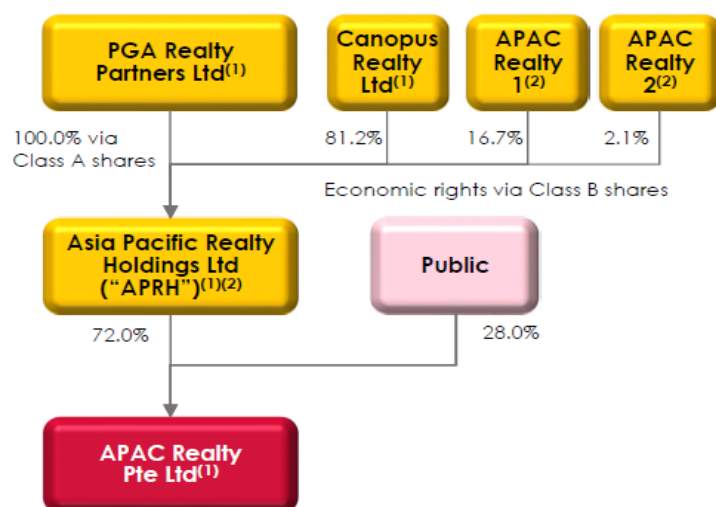
## Corporate And Shareholding Structure

Figure 39: APAC Realty's group structure



Note 1: The remaining 66% of Soreal Prop Pte Ltd is held by P&N Holdings Pte Ltd and H Investment Pte Ltd (unrelated third parties) in equal proportions  
Source: Company data

Figure 40: APAC Realty's shareholding structure



Note 1: APRH is a Cayman-incorporated company which directly holds shares in APAC Realty Pte Ltd. APRH has two classes of shares, namely Class A shares with full voting rights and no economic rights and Class B shares with full economic rights and limited voting rights. The Class A shares of APRH are held by PGA Realty, a British Virgin Islands incorporated company, of which Mr Tan Choon Hong is the sole director and shareholder

Note 2: The Class B shares of APRH are 81.2% held by Canopus Realty Ltd (CRL), a holding company established in the British Virgin Islands, with the remaining 16.7% held by APAC Realty 1 and 2.1% held by APAC Realty 2, being holding companies incorporated in the Cayman Islands. CRL is wholly-owned by Northstar Equity Partners III Ltd, an investment fund established in the Cayman Islands. Certain senior employees of the company, including Mr Jack Chua, hold Class B shares in APAC Realty 1 or APAC Realty 2, as the case may be. Such Class B shares have full economic rights and limited voting rights. Mr Chua holds 70.5% of Class B shares in APAC Realty 1

Source: Company data

## Organisation Chart And Management Team

One of the key strength of APAC Realty is its experienced and capable management team. The group's executive officers have an average of approximately 20 years of experience in the real estate industry.

Mr Jack Chua – who is currently CEO and executive director – joined APAC Realty in 1990 and was the president of the group before being appointed as CEO in 2013. In addition to its executive officers, APAC Realty is supported by eight heads of departments for each of its business segments. These heads have an average of approximately 17 years of experience within the group.

**Figure 41: APAC Realty's organisation chart and number of years with the group**



Source: Company

Figure 42: APAC Realty's key management personnel

Name	Appointment	No. of Years in Firm	Responsibility	
Mr. Stewart Yen Se-Hua	Non-Executive Chairman and a Non-Executive Independent Director	N.A.	Mr. Stewart Yen Se-Hua is APAC Realty's Non-Executive Chairman and a Non-Executive Independent Director. He is also the Executive Chairman and an Executive Director of SECOM (Singapore) Pte Ltd. Mr. Yen is also a Non-Executive Independent Director of Huatong Global Limited (which is listed on the Catalist Board of the SGX-ST), STT Communications (Shanghai) Co., Ltd and Verint Systems (Singapore) Pte Ltd. Mr. Yen was formerly a General Manager at Unicorn International Pte Ltd from 1988 to 1999, an Assistant General Manager at CDC-Construction & Development Pte Ltd from 1982 to 1988, and a Regional Sales Manager at Duce International Pte Ltd from 1980 to 1982. Mr. Yen holds a Bachelor of Engineering degree from McMaster University, Canada.	
Mr. Jack Chua	Executive Director and Chief Executive Officer	27	Mr. Jack Chua is APAC Realty's Executive Director and Chief Executive Officer. Mr Jack Chua joined ERA in 1990 and was the President of APAC Realty before being appointed as the Chief Executive Officer in 2013. Prior to joining APAC Realty, he was with the Public Works Department of Singapore from 1984 to 1990, his last held position being head of building management and building development services. Mr. Chua holds a Bachelor of Science (Building) (Hons) and a Master of Science (Project Management) from the National University of Singapore. He also holds a Diploma in Computer Studies from the National Centre for Information Technology and a Certified Diploma in Accounting & Finance from the Chartered Association of Certified Accountants.	
Mr. Tan Choon Hong	Non-Executive Director	N.A.	Mr. Tan Choon Hong is a Non-Executive Director. Mr. Tan is the Chief Executive Officer of Northstar Advisors Pte. Ltd. Prior to joining Northstar Advisors Pte. Ltd. in 2011, Mr. Tan was a director for special projects at C S Partners Pte. Ltd. from 2007 to 2011 and a vice president at GIC Special Investments Pte Ltd from 2005 to 2007. Earlier, he spent five years doing corporate finance advisory work at Deutsche Bank AG, from 2001 to 2005. He began his career with the Ministry of Trade and Industry as an Assistant Director in 1999. He currently serves on the board of the Thai Credit Retail Bank Public Company Limited and Nera Telecommunications Ltd. Mr. Tan is a Chartered Financial Analyst and holds a Master of Engineering and Bachelor of Arts from Cambridge University	
Mr. Tommy Teo Zhi Zhuang	Non-Executive Director	N.A.	Mr. Tommy Teo Zhi Zhuang is a Non-Executive Director. Mr. Teo is an Executive Director of Northstar Advisors Pte. Ltd. Prior to joining Northstar Advisors Pte. Ltd. in 2013, Mr. Teo was an investment banker with Citi Global Investment Banking in Singapore from 2011 to 2012, with Perella Weinberg Partners in New York from 2009 to 2011 and with Bear, Stearns & Co. Inc. in New York from 2007 to 2008. Mr. Teo was also an analyst at hedge fund sponsor Capital Z Asset Management from 2008 to 2009. He currently serves on the board of commissioners at PT Multi Adiprakarsa Manunggal in Indonesia. Mr. Teo graduated with a Bachelor of Business Administration from the Stephen M. Ross School of Business at the University of Michigan.	
Mr. Poh Chee Yong	Chief Financial Officer	6	Mr. Poh Chee Yong is APAC Realty's Chief Financial Officer. He has held this position since joining APAC Realty in 2011 (under the previous holding company of APAC Realty). Mr Poh heads the finance and commission team comprising a total of 29 employees. The finance team is responsible for financial management and implementing controls to safeguard the assets, integrity of APAC Realty's data and financial information. The commission team handles enquiries from and payment of commissions to APAC Realty's agents.	
Mr. Eugene Lim Tong Weng	Key Executive Officer	18	Mr. Eugene Lim is APAC Realty's Key Executive Officer. He has held this position since joining APAC Realty in 2003 (under the previous holding company of APAC Realty). Mr. Lim ensures that APAC Realty's and APAC Realty's agents' business dealings are in compliance with the Estate Agents Act (as defined herein) and the relevant subsidiary legislation. He oversees the legal and compliance team which is the first point of contact that investigates any customer feedback. The team also ensures adherence to procedures and work ethics that comply with prevailing rules and regulations that govern real estate agency work.	

Source: Company, RHB

## Appendix A – Regional Brokerage Comparison

Figure 43: Regional brokerage industry comparison

	Singapore	Hong Kong	China	Indonesia	Japan	Vietnam
<b>Fee for Primary Market Transaction</b>	As high as 5%, depending on developer	Typically 2-7%	Typically 1-3%	Typically 2-3%	Typically 3% + ¥60k + Consumption tax (8%)	Typically 2 - 5%
<b>Fee for Secondary Market Transaction</b>	Typically 1-2%	Typically 1%	Typically 1%	Typically 2-3%	Typically 3% + ¥60k + Consumption tax (8%)	Typically 1 - 1.5%
<b>Fee for Rental Market Transaction</b>	1 month rental for 2 year lease	1 month rental for 2 year lease	Shanghai: 0.35 month rental for 6 months lease  Other cities: 0.5 month rental for 6 months lease	4-5% of total rent for a 2 or 3 year lease	1 month rental for 1 year lease	1 month rental for 1 year lease
<b>Co-broke</b>	Commission split based on negotiation	Typically 25% for co-broke agent & 75% for primary agent	Commission split based on negotiation	Typically 50% for each party	Commission split based on negotiation or a referral fee	Commission split based on negotiation
<b>Commission Payout</b>	70 - 90% to agent	Typically fixed salary + 25-30% of commission	Fixed salary + bonus	Typically 60% to agent	Fixed salary + bonus	0.2 - 0.8% of property price goes to agency, remaining to agent
<b>Brokerage License</b>	Required	Required	Required, but barrier to entry low	Not required, agents can be independent.	Required	Required
<b>Major Players</b>	ERA, Propnex, Huttons, Orangetee, Edmund Tie & Co	Centaline, Midland Realty, C&W, JLL, Savills	Lianjia, Centaline, Century 21, I Love My Family, Sinyi Realty	Raywhite, ERA, Knight Frank, Century 21, Savills	Mitsui Fudosan Realty, Sumitomo Real Estate Sales, Tokyo Livable, Nomura Real Estate Group, Mitsubishi UFJ Real Estate Services	Green Land Real Estate and Service, Saigon Sacomreal Real Estate, CBRE, Savills, Hai Phat Investment
<b>Operating Business Model</b>	Main office with "mobile" agents	Traditional retail shop	Traditional retail shop	Main office with "mobile" agents	Traditional retail shop	Main office with "mobile" agents

Source: Cushman & Wakefield

## Appendix B – Commissions Structures

**Figure 44: Commissions structure for project marketing**

Tiers	Commission Structure
<b>First tier</b>	A percentage of the transaction price will be paid out as commission by developer
<b>Second tier</b>	Brokerage takes a portion of the commission payout for being the overall in-charge of the project, while the rest goes to experienced salesperson put in charge of the project (Project IC), Core Team and closing agent
<b>Third tier</b>	Project IC and the Core Team will take a proportion from the commission payout by developers to the closing agent

Source: Cushman & Wakefield

**Figure 45: Commissions structure for secondary residential market**

Scenario	Commission
When a buyer does not have an agent	Seller pays 1 - 2% of the transacted price to seller's agent. In some cases, commission could go up to 5% depending on the type of property and the urgency to transact by the seller
When buyer has an agent (Co-broke deal)	Seller's agent is expected to share the commission paid by the seller with the buyer's agent

Source: Cushman & Wakefield

**Figure 46: Commissions structure for the HDB resale market**

Role	Commission
For agent representing the seller	Seller pays 1 - 2% of transacted price to seller's agent
For agent representing the buyer	Buyer pays up to 1% of transacted price to buyer's agent

Source: Cushman & Wakefield

**Figure 47: Commissions structure for the private residential leasing market**

Scenario	Commission
2-year lease / rent below SGD3,500 per month	1 month's rent payable by landlord to landlord's agent 1 month's rent payable by tenant to tenant's agent
1-year lease / rent below SGD3,500 per month	0.5 month's rent payable by landlord to landlord's agent 0.5 month's rent payable by tenant to tenant's agent
2-year lease / rent above SGD3,500 per month	1 month's rent payable by landlord to landlord's and tenant's agents (to be split equally) 1 month's rent payable by landlord to landlord's agent if tenant does not appoint agent
1-year lease / rent above SGD3,500 per month	0.5 month's rent payable by landlord to landlord's agent 0.5 month's rent payable by tenant to tenant's agent

Source: 99.co



**Figure 48: Commissions structure for internal and external co-broking sale/purchase transactions**

Type of Agent	If the GBC paid by seller (excluding GST) is 1.0% or more of sale price	If GBC paid by seller (excluding GST) is less than 1.0% of sale price
Agent serving seller	Seller's commission less GST less 0.5% of sale price	Half of seller's commission less GST
Agent serving buyer	0.5% of sale price	Half of seller's commission less GST

Source: Company

**Figure 49: Commission for internal and external co-broking rental/assignment transactions**

Type of Agent	GBC paid by landlord/assignor if tenant is not required to pay commission	GBC if tenant is required to pay commission
Agent serving landlord/assignor	Half of landlord/assignor's commission less GST	Landlord/assignor's commission less GST
Agent serving tenant/assignee	Half of landlord/assignor's commission less GST	Tenant/assignee's commission less GST

Source: Company

## Appendix C – Awards And Recognition

**Figure 50: APAC Realty's awards and recognitions**

Year	Awards & Recognition
2017	Top Brand preferred by consumers in the category of Property Agency under Influential Brands
2016	Top Grandeur Award in Asia Enterprise BRAND Awards
2015/2016	Asia Responsible Corporate Awards, Apex Leadership Award By Built Environment Industry
2014 - 2016	Largest Real Estate Agencies, Rank #1 by SBR Business Ranking Awards
2002, 2006 - 2008, 2011 - 2016	SHARE Corporate Platinum Award by the Community Chest
2015	I Love You Ruby Award by Singapore Association for the Deaf
2010-2015	Ambassador for the Deaf by Singapore Association for the Deaf
2015	5-Years Outstanding SHARE Award 2010-2014 by the Community Chest
2014	Influential Brand, Top 1 Brand Winner in Real Estate segment by Brand Alliance
2013	Top Company Award by ERA Real Estate (US)
2011 - 2015	Singapore's Largest Real Estate Agency, CEA Public Register
2011	I Love You Sapphire Award by Singapore Association for the Deaf
2010	15 industry awards for Team Managers and Salespersons, Inaugural
2005, 2008, 2009	Superbrands Singapore Award,
2009	Reader's Digest Trusted Brands Gold Award (Real Estate & Property Agent Category)
2000	FEA (Master Franchise) by Franchise Excellence Award
1998	Special Events Award by the Community Chest
1996	National IT Award (Private Sector) by National Computer Board
1994	SISIR ISO 9002 Award

Source: Company

## Appendix D – MFA Termination Agreement

**Terms and termination of the MFA.** The regional MFA currently held by APAC Realty may be terminated by either party (the group or Realogy) upon a material and uncured breach by the other party of a material provision under the agreement.

Furthermore, Realogy can terminate the regional MFA immediately without recourse to any legal formalities or court proceedings upon the occurrence of, among other things:

- i. The insolvency of the group;
- ii. A breach, for which Realogy has given APAC Realty prior notice of such an instance within the previous 12 months;
- iii. An assignment by the group of the regional MFA, or sales, transfers or new issues of stock in excess of the stipulated threshold, without obtaining Realogy's prior written consent as required under the agreement;
- iv. A failure to provide Realogy with a right of first refusal (ROFR) as required under the regional MFA.



## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2017-11-29			

Source: RHB, Bloomberg

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**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

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