

Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	S\$0.595
Target price:	S\$0.77
Previous target:	S\$0.77
Up/downside:	29.4%
CGS-CIMB / Consensus:	29.4%
Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$158.6m
	S\$211.3m
Average daily turnover:	US\$0.04m
	S\$0.06m
Current shares o/s:	355.2m
Free float:	26.5%

*Source: Bloomberg

Key changes in this note

➤ No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.7	0.8	-15
Relative (%)	-2.2	-4.2	-16.1

Major shareholders

	% held
NHPEA Ace Realty Company Ltd	64.8
FIL Invst Mgmt	4.3
Qilin Asset Mgmt	3.4

Analyst(s)



LOCK Mun Yee

T (65) 6210 8606

E munyee.lock@cgs-cimb.com

APAC Realty Ltd

Pinning longer-term hopes on Vietnam

- APAC to invest up to S\$15.4m to grow its Vietnam business.
- Investing to boost the real estate brokerage business in Vietnam.
- Reiterate Add rating with an unchanged TP of S\$0.77.

Increasing stake in ERA Vietnam

APAC has announced the acquisition of an additional 22% stake in ERA Vietnam Real Estate Joint Stock Company (ERA VN) and Eurocapital Joint Stock Company (Eurocapital), from other existing owners of these companies. Together with its initial 38% stake, the purchase will increase APAC's stakes in both companies to 60% each. ERA VN is the holder of the ERA franchise in Vietnam while Eurocapital is the sub-franchisor of the ERA brand to ERA VN.

Leveraging the fast-expanding Vietnam residential market

ERA VN operates the ERA real estate brokerage business in Vietnam and is currently ranked as one of the top 10 real estate agencies in Vietnam, with a salesforce of 3,900 persons. Its revenue increased from VND74.3bn (S\$4.4m) in FY20 to VND117.3bn (S\$7m) for 9M22. According to management, the outlook for the Vietnam residential market remains positive in the medium term, underpinned by robust GDP growth, continued urbanisation, and a growing middle-class population, while enhanced connectivity due to an improvement in infrastructure is likely to drive real estate development and boost capital values and rental yields in the longer run.

Additional investment to boost growth of its brokerage business

According to APAC, the additional investment in ERA VN would enable the latter to supercharge growth of the real estate brokerage business in Vietnam as well as provide another product to potentially cross-sell across APAC's platform. The acquisition is structured with upside incentives to enable APAC to benefit from its expanded stake if future revenue and net income targets are achieved. In terms of growth strategies, ERA VN plans to i) expand its footprint to four mega offices in HCMC, Da Nang, Hanoi and Can Tho (from two currently), ii) increase agent count by two-fold to 8k by 2026 to boost market share, iii) expand the number of franchisees to small and mid-sized developers to secure more new projects for marketing or exclusive rights to resale markets from projects developed by franchisees and iv) target more exclusive/lead agency appointments. ERA VN has secured 30 and 23 project appointments in 2022 and 2023, respectively.

Maintain an Add rating

The purchase consideration of S\$15.4m comprises an upfront S\$4.9m and the balance of up to S\$10.5m spread over FY24-FY25F, when specific revenue/net income milestones are met. APAC would also extend a S\$1.5m shareholder loan to ERA VN. The acquisition will be funded by APAC's internal funds. Based on the total investment of up to S\$16.9m for the 60% stake (inclusive of the S\$1.5m paid for the initial 38% share), the transaction is valued at c.8x P/E, assuming management's projected max earn-out is achieved in FY25F. Although this is slightly above APAC's projected earnings multiples and likely to be slightly earnings dilutive in the near term, we believe the longer-term prospects of tapping into a larger and growing market should enable it to deliver positive ROI, in our view. We keep our FY22-24F EPS estimates and TP of S\$0.77 (based on a blend of PE multiple and DCF valuations) unchanged. Key downside risk: inability to grow its Vietnam business meaningfully. Upside catalyst: faster-than-expected ramp-up of its Vietnam operations.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (S\$b)	0.40	0.74	0.63	0.61	0.64
Operating EBITDA (S\$b)	0.021	0.046	0.033	0.038	0.041
Net Profit (S\$b)	0.016	0.035	0.025	0.029	0.032
Normalised EPS (S\$)	0.046	0.100	0.069	0.081	0.090
Normalised EPS Growth	17%	115%	(31%)	17%	11%
FD Normalised P/E (x)	12.86	5.97	8.60	7.37	6.61
DPS (S\$)	0.03	0.11	0.05	0.06	0.07
Dividend Yield	4.2%	17.6%	8.7%	10.2%	11.3%
EV/EBITDA (x)	10.60	4.50	6.10	4.87	4.03
P/FCFE (x)	17.50	4.13	5.63	6.32	5.60
Net Gearing	10.7%	(3.0%)	(6.4%)	(15.9%)	(24.9%)
P/BV (x)	1.37	1.31	1.39	1.27	1.17
ROE	10.9%	22.4%	15.7%	18.0%	18.4%
Normalised EPS/consensus EPS (x)			0.96	1.28	1.18

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



ESG in a nutshell

APAC prioritises sustainability at its board level – it has established a Sustainability Task Force to implement and manage its sustainability measures. Its sustainability strategies include economic sustainability to create value for stakeholders, workplace diversity, integrating digital innovation to improve customers' property purchasing experiences as well as maintaining and upholding energy saving standards in all offices to minimise carbon footprint. Some of its sustainability targets include promoting environmental sustainability, developing employee and salesperson talent and skills, lowering energy consumption and encouraging workforce gender and age diversity. On 11 Nov 2021, APAC announced a series of ESG efforts including three priority areas of i) creating a green and sustainable living environment for Singaporeans, ii) employee well-being, and iii) development of evolutionary solutions. APAC will also continue to reduce its carbon footprint with the digitisation of its client engagement and transaction processes.

Keep your eye on	Implications
Some of the key ESG items that stood out for APAC in FY21 include an increase in electricity consumption and CO2 emissions at ERA APAC Centre and its Thailand office property as well as seven disciplinary actions from the Council of Estate Agents against its salespersons.	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	Implications
As part of its ESG objectives, close to 7,600 ERA salespersons fulfilled their Continuing Professional Development (CPD) hours and managed to renew their Council for Estate Agencies (CEA) licences for FY20. APAC achieved lower electricity consumption for its ERA APAC Centre and its Bangkok office while its monthly GHG emissions for ERA APAC Centre declined yoy, in FY21.	We have not applied any premium/discount for ESG in our fundamental valuations.
Trends	Implications
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 expects to save c.200,000 kWh p.a. from this initiative and reduce GHG emissions.	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

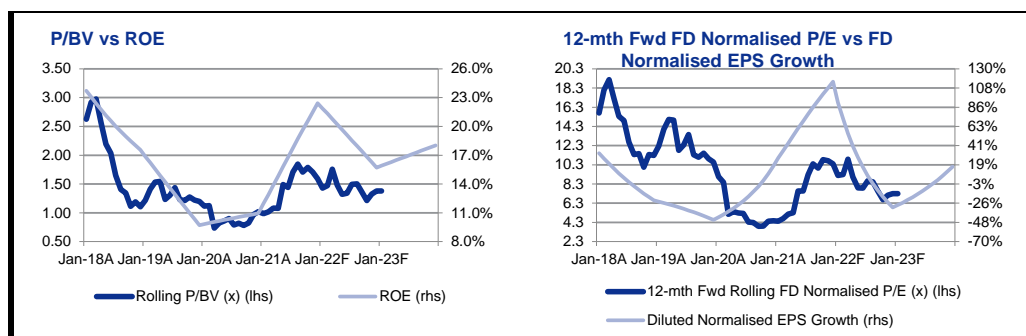
Figure 1: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY23F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY22F	FY23F	FY24F			FY22F	FY23F	FY22F	FY23F
APAC Realty Ltd	APAC SP	Add	0.60	0.77	159	8.6	7.4	6.6	n.a.	n.a.	1.39	1.27	8.7%	10.2%
Capitaland Investment	CLI SP	Add	3.73	4.50	14,313	20.0	19.2	17.3	5.00	-25%	1.11	1.07	1.7%	1.8%
City Developments	CIT SP	Add	7.68	8.97	5,226	18.9	9.4	13.6	16.30	-53%	0.66	0.56	2.6%	2.6%
Frasers Property Limited	FPL SP	Add	0.94	1.41	2,754	12.8	13.7	11.8	2.56	-64%	0.33	0.30	3.2%	4.3%
Propnex Ltd	PROP SP	Add	1.53	1.93	425	10.0	10.6	10.3	n.a.	n.a.	4.71	4.43	8.0%	7.5%
UOL Group	UOL SP	Add	6.65	8.00	4,214	16.8	16.6	19.9	13.34	-50%	0.54	0.53	2.6%	2.6%
Wing Tai Holdings	WINGT SP	Add	1.48	1.98	844	13.2	17.7	na	3.96	-63%	0.30	0.28	3.4%	3.4%
Singapore average						15.5	14.4	14.5		-40%	0.52	0.50	3.0%	3.1%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 10 Jan 2023

BY THE NUMBERS



Profit & Loss

(\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	0.40	0.74	0.63	0.61	0.64
Gross Profit	0.05	0.08	0.06	0.06	0.07
Operating EBITDA	0.02	0.05	0.03	0.04	0.04
Depreciation And Amortisation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Operating EBIT	0.02	0.04	0.03	0.04	0.04
Financial Income/(Expense)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Pretax Income/(Loss) from Assoc.	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	0.02	0.04	0.03	0.03	0.04
Exceptional Items					
Pre-tax Profit	0.02	0.04	0.03	0.03	0.04
Taxation	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Exceptional Income - post-tax					
Profit After Tax	0.02	0.04	0.02	0.03	0.03
Minority Interests	0.00	0.00	(0.00)	(0.00)	(0.00)
Pref. & Special Div	0.00	0.00	0.00	0.00	0.00
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	0.02	0.04	0.02	0.03	0.03
Normalised Net Profit	0.02	0.04	0.02	0.03	0.03
Fully Diluted Normalised Profit	0.02	0.04	0.02	0.03	0.03

Cash Flow

(\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	0.021	0.046	0.033	0.038	0.041
Cash Flow from Invnt. & Assoc.	0.000	0.000	0.000	0.000	0.000
Change In Working Capital	(0.004)	0.006	0.010	(0.001)	0.001
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.002	0.005	0.003	0.003	0.002
Other Operating Cashflow	0.005	0.004	0.005	0.005	0.005
Net Interest (Paid)/Received	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)
Tax Paid	(0.002)	(0.004)	(0.005)	(0.006)	(0.007)
Cashflow From Operations	0.022	0.058	0.046	0.039	0.043
Capex	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties	-	-	-	-	-
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(0.005)	(0.001)	-	-	-
Cash Flow From Investing	(0.005)	(0.002)	(0.000)	(0.000)	(0.000)
Debt Raised/(repaid)	(0.005)	(0.005)	(0.008)	(0.005)	(0.005)
Proceeds From Issue Of Shares	-	-	-	-	-
Shares Repurchased					
Dividends Paid	(0.007)	(0.029)	(0.037)	(0.018)	(0.022)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(0.012)	(0.034)	(0.045)	(0.023)	(0.026)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	0.04	0.05	0.05	0.06	0.08
Properties Under Development					
Total Debtors	0.09	0.13	0.12	0.11	0.12
Inventories					
Total Other Current Assets	0.02	0.02	0.02	0.02	0.02
Total Current Assets	0.14	0.21	0.19	0.20	0.22
Fixed Assets	0.07	0.07	0.07	0.07	0.07
Total Investments	0.01	0.00	0.00	0.00	0.00
Intangible Assets	0.10	0.10	0.10	0.10	0.09
Total Other Non-Current Assets	0.00	0.00	0.00	0.00	0.00
Total Non-current Assets	0.18	0.17	0.17	0.17	0.17
Short-term Debt	0.00	0.00	0.00	0.00	0.00
Current Portion of Long-Term Debt					
Total Creditors	0.10	0.16	0.15	0.15	0.16
Other Current Liabilities	0.01	0.01	0.01	0.01	0.01
Total Current Liabilities	0.11	0.18	0.17	0.16	0.17
Total Long-term Debt	0.05	0.05	0.04	0.03	0.03
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Non-current Liabilities	0.05	0.05	0.04	0.03	0.03
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	0.17	0.23	0.21	0.20	0.20
Shareholders' Equity	0.15	0.16	0.15	0.17	0.18
Minority Interests	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Equity	0.15	0.16	0.15	0.17	0.18

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	6.9%	87.2%	(15.3%)	(1.8%)	4.0%
Operating EBITDA Growth	10%	113%	(28%)	15%	9%
Operating EBITDA Margin	5.44%	6.20%	5.27%	6.17%	6.46%
Net Cash Per Share (S\$)	(0.05)	0.01	0.03	0.07	0.13
BVPS (S\$)	0.44	0.45	0.43	0.47	0.51
Gross Interest Cover	19.53	56.58	38.35	46.68	59.25
Effective Tax Rate	16.8%	17.2%	17.2%	17.2%	17.2%
Net Dividend Payout Ratio	54%	105%	75%	75%	75%
Accounts Receivables Days	63.36	49.43	65.00	60.15	58.63
Inventory Days	-	-	-	-	-
Accounts Payables Days	85.70	65.55	92.70	91.64	89.57
ROIC (%)	21.7%	25.8%	20.1%	25.4%	28.6%
ROCE (%)	10.1%	20.7%	15.1%	17.8%	18.9%
Return On Average Assets	5.7%	10.2%	6.8%	8.1%	8.7%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Brokerage from resale and rental (S\$m)	267.4	499.7	435.8	434.7	450.7
Brokerage from project sales (S\$m)	116.4	281.0	183.9	172.7	180.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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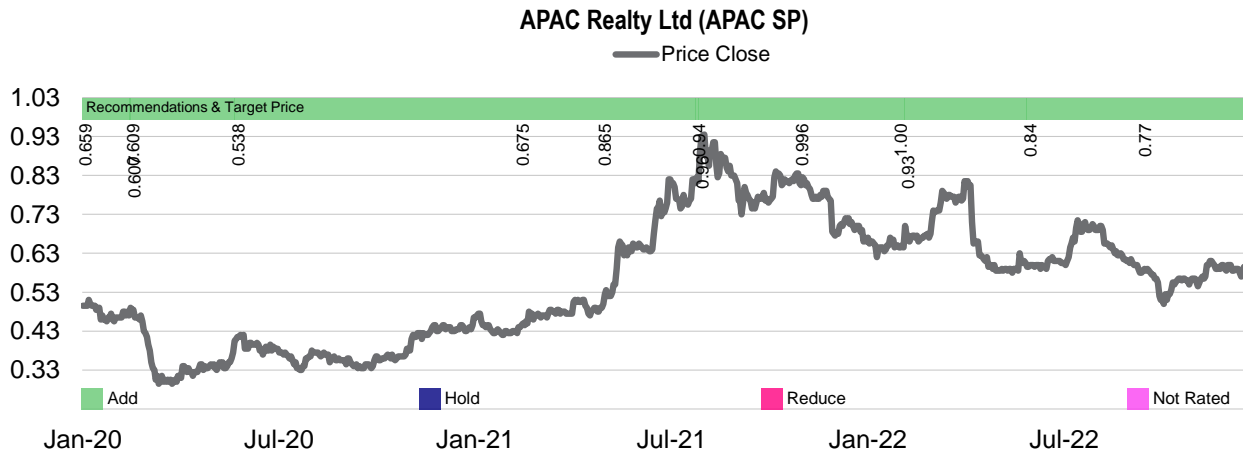
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2022		
646 companies under coverage for quarter ended on 30 September 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.6%
Hold	25.2%	0.2%
Reduce	8.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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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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- 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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