

Singapore

ADD (no change)

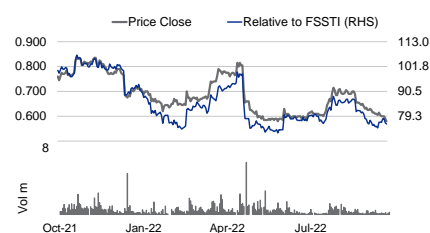
Consensus ratings*: Buy 1 Hold 0 Sell 1

Current price:	S\$0.58
Target price:	S\$0.77
Previous target:	S\$0.84
Up/downside:	32.8%
CGS-CIMB / Consensus:	23.2%
Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$143.6m
	S\$206.0m
Average daily turnover:	US\$0.15m
	S\$0.21m
Current shares o/s:	355.2m
Free float:	26.5%

*Source: Bloomberg

Key changes in this note

- FY22F EPS decreased by 3.32%
- FY23F EPS decreased by 5.73%
- FY24F EPS decreased by 5.86%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-10.8	-3.3	-22.2
Relative (%)	-7.7	-3.7	-2.4

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

Analyst(s)



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APAC Realty Ltd

Hitting a speed bump

- We think property cooling measures could impact near-term market activity.
- We lower our yoy residential volume transactions assumptions for APAC.
- Maintain Add rating with a lower TP of S\$0.77.

Latest round of cooling measures could slow market activity

The recent round of property cooling measures announced on 30 Sep 2022 which included i) raising interest rate floor for Total Debt Service Ratio (TDSR) and Mortgage Service Ratio (MSR) computation to 4% (from 3.5%), ii) lowering loan-to-value (LTV) for HDB housing loans to 80% and iii) imposing a wait-out period of 15 months for private property owners (PPOs) buying non-subsidised HDB flats, are likely to result in quieter volume activity in the immediate term as market sentiment is affected as well as potential buyers evaluating the impact of these changes on affordability. In all, we think that raising the floor interest rate for TDSR computation could dial down affordability by 5-6%, thus impacting marginal buyers. That said, the wait-out period for private property owners before they can purchase HDB resale units may push demand for rental apartments in the near-term. We believe the slower market activity could likely impact property brokers' commission income stream in the near- to medium-term.

We lower our FY22-24F EPS forecasts by 3.3-5.9%

We tweak down our private resale market volume transaction assumptions for APAC in FY22F/FY23F to -30%/0% yoy from -28%/+2% yoy as well as project HDB resale transactions to shrink by 10% yoy in FY23F as we think market activity could cool in the near-term. Accordingly, our FY22-24F EPS forecasts are lowered by 3.32-5.86%. We maintain our assumption that APAC would maintain its current market share of 41.9% and 41.8% share of the private and HDB resale markets, respectively, as at 1H22.

Market and activity diversification could provide a stable base

That said, APAC has continued to diversify its business with the establishment of its Capital Markets & Investment Sales (CMIS) business unit, which engages high net-worth investors, family offices and institutional investors with services related to commercial, industrial and other segments, which has garnered good traction since it was established in Feb 2022. In addition, it has presence in other regional markets such as Indonesia, Thailand, Malaysia and Vietnam. This will likely enable the group to ride on any market recovery in these markets.

Maintain an Add rating

Following our earnings revision, we lower our TP to S\$0.77, based on an unchanged blend of net cash-adjusted P/E multiple and DCF valuation. We believe share price is likely supported by a projected FY22F dividend yield of 8.9%, based on an assumed 75% payout ratio. Potential re-rating catalysts: ability to gain further market share in both the primary and secondary residential segments and identifying new growth drivers. Key downside risk: delayed recovery of the property market due to a weak macro outlook and continued loss of market share.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (S\$m)	395.1	739.8	626.3	614.9	639.3
Operating EBITDA (S\$m)	21.49	45.86	33.00	37.94	41.31
Net Profit (S\$m)	16.44	35.39	24.58	28.69	31.97
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)	12.53	5.82	8.38	7.18	6.44
DPS (S\$)	0.03	0.11	0.05	0.06	0.07
Dividend Yield	4.3%	18.1%	8.9%	10.4%	11.6%
EV/EBITDA (x)	10.35	4.38	5.94	4.73	3.90
P/FCFE (x)	17.06	4.03	5.49	6.16	5.46
Net Gearing	10.7%	(3.0%)	(6.4%)	(15.9%)	(24.9%)
P/BV (x)	1.33	1.28	1.35	1.24	1.14
ROE	10.9%	22.4%	15.7%	18.0%	18.4%
% Change In Normalised EPS Estimates			(3.32%)	(5.73%)	(5.86%)
Normalised EPS/consensus EPS (x)			1.02	1.22	1.29

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. Some of its sustainability targets in FY21F 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 FY20 include an increase in electricity consumption and CO2 emissions at ERA APAC Centre as well as three 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 and CO2 emissions for its Mountbatten Square office and its Bangkok office while electricity consumption and CO2 emissions at its headquarters ERA APAC Centre rose in FY20.	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 continues to explore various energy-saving initiatives in FY21; it also installed energy-efficient appliances and lights during the earlier renovation phase.	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 these could lead to improved operational efficiencies and financial performance.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 1: Key earnings revisions

FYE Dec (\$m)	Previous			New			% chg		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Gross revenue	636	648.3	681.3	626.3	614.9	639.3	-1.52%	-5.15%	-6.17%
PATMI	25.43	30.4	34.0	24.6	28.7	32.0	-3.32%	-5.73%	-5.86%
EPS	7.16	8.57	9.56	6.92	8.08	9.00	-3.32%	-5.73%	-5.86%

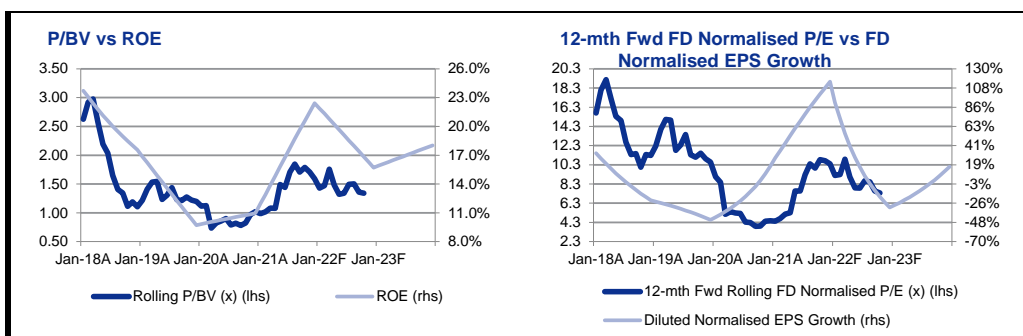
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 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	0.58	0.77	144	8.4	7.2	6.4	n.a.	1.35	1.24	8.9%	10.4%	
Capitaland Investment	CLI SP	Add	3.38	4.59	12,052	18.2	17.4	15.7	5.10	-34%	1.01	0.97	1.9%	2.0%
City Developments	CIT SP	Add	7.55	8.97	4,774	18.5	9.2	13.4	16.30	-54%	0.64	0.55	2.6%	2.6%
Frasers Property Limited	FPL SP	Add	0.98	1.41	2,669	13.4	14.3	12.3	2.56	-62%	0.34	0.32	3.1%	4.1%
Hongkong Land Holdings Ltd	HKL SP	Add	4.49	6.10	10,479	11.6	10.9	10.0	10.20	-56%	0.29	0.26	4.9%	4.9%
Propnex Ltd	PROP SP	Add	1.44	1.89	371	11.2	11.1	10.7	n.a.	n.a.	4.82	4.41	7.1%	7.2%
UOL Group	UOL SP	Add	6.46	8.00	3,804	16.3	16.1	19.4	13.34	-52%	0.53	0.52	2.7%	2.7%
Wing Tai Holdings	WINGT SP	Add	1.52	1.98	806	13.5	18.2	na	3.96	-62%	0.31	0.29	3.3%	3.3%
Singapore average						14.8	13.1	13.1		-43%	0.49	0.45	3.2%	3.3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 3 Oct 2022

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	395.1	739.8	626.3	614.9	639.3
Gross Profit	47.5	75.4	60.5	63.6	67.7
Operating EBITDA	21.5	45.9	33.0	37.9	41.3
Depreciation And Amortisation	(0.6)	(2.1)	(2.0)	(2.0)	(1.5)
Operating EBIT	20.9	43.8	31.0	35.9	39.8
Financial Income/(Expense)	(1.1)	(0.8)	(0.8)	(0.8)	(0.7)
Pretax Income/(Loss) from Assoc.	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	19.6	42.6	29.8	34.7	38.7
Exceptional Items					
Pre-tax Profit	19.6	42.6	29.8	34.7	38.7
Taxation	(3.3)	(7.3)	(5.1)	(6.0)	(6.7)
Exceptional Income - post-tax					
Profit After Tax	16.3	35.3	24.6	28.8	32.1
Minority Interests	0.1	0.1	(0.1)	(0.1)	(0.1)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	16.4	35.4	24.6	28.7	32.0
Normalised Net Profit	16.3	35.3	24.6	28.8	32.1
Fully Diluted Normalised Profit	16.4	35.4	24.6	28.7	32.0

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	21.49	45.86	33.00	37.94	41.31
Cash Flow from Invnt. & Assoc.	0.16	0.40	0.40	0.40	0.40
Change In Working Capital	(4.31)	6.45	10.49	(0.68)	1.45
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2.10	5.46	2.96	2.96	2.46
Other Operating Cashflow	5.49	4.34	4.68	4.64	4.54
Net Interest (Paid)/Received	(0.55)	(0.25)	(0.81)	(0.77)	(0.67)
Tax Paid	(2.47)	(4.12)	(5.12)	(5.97)	(6.65)
Cashflow From Operations	21.91	58.14	45.62	38.53	42.84
Capex	(0.16)	(1.08)	(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	(4.77)	(1.03)	0.00	0.00	0.00
Cash Flow From Investing	(4.94)	(2.11)	(0.20)	(0.20)	(0.20)
Debt Raised/(repaid)	(4.90)	(4.90)	(7.90)	(4.90)	(4.90)
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(7.10)	(29.30)	(37.30)	(18.44)	(21.52)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(12.00)	(34.20)	(45.20)	(23.34)	(26.42)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	35.1	53.7	50.6	62.4	76.1
Properties Under Development					
Total Debtors	90.9	133.6	115.1	113.3	117.2
Inventories					
Total Other Current Assets	16.1	23.3	23.3	23.3	23.3
Total Current Assets	142.1	210.6	189.0	199.0	216.6
Fixed Assets	73.9	72.8	71.0	69.2	67.9
Total Investments	6.5	4.7	4.3	3.9	3.5
Intangible Assets	97.7	96.9	96.0	95.0	94.1
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	178.2	174.5	171.3	168.2	165.5
Short-term Debt	2.9	2.9	2.9	2.9	2.9
Current Portion of Long-Term Debt					
Total Creditors	101.8	161.8	153.7	151.2	156.6
Other Current Liabilities	7.3	10.5	10.5	10.5	10.5
Total Current Liabilities	111.9	175.1	167.1	164.6	170.0
Total Long-term Debt	48.8	45.9	38.0	33.1	28.2
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1.7	0.0	0.0	0.0	0.0
Total Non-current Liabilities	50.6	46.0	38.1	33.2	28.3
Total Provisions	4.2	4.1	4.1	4.1	4.1
Total Liabilities	166.7	225.2	209.3	201.8	202.3
Shareholders' Equity	154.8	160.9	152.1	166.2	180.5
Minority Interests	(0.2)	(0.3)	(0.2)	(0.1)	(0.0)
Total Equity	154.6	160.7	151.9	166.1	180.5

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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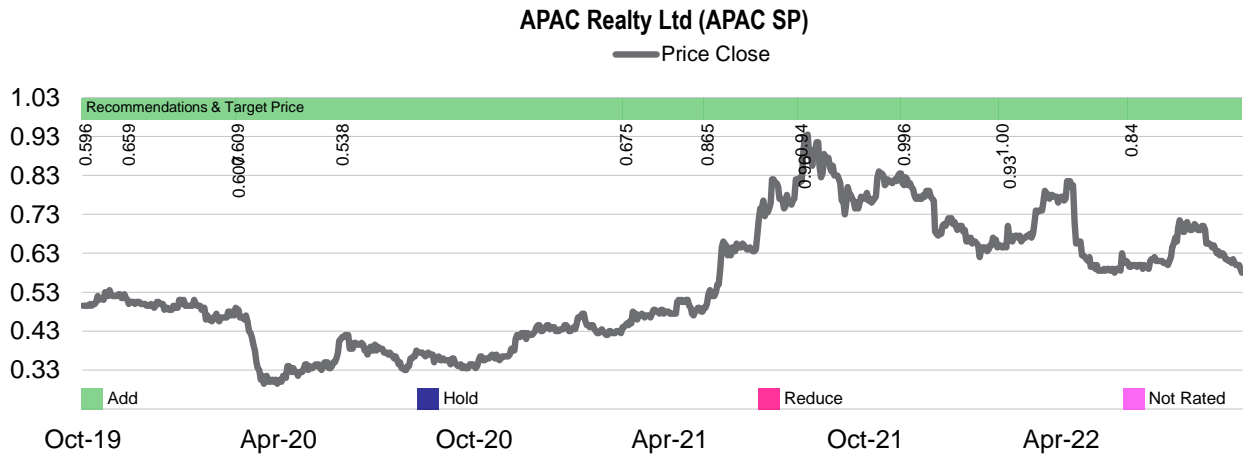
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	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.

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