

# Insights Direct Company Note

## APAC Realty Ltd

Bloomberg : APAC SP Equity | Reuters : APAC.SI | TR PermID : 5040225641

DBS Group Research . Equity

20-Jun-2022 (View Latest Version )

### ANALYST

Lee Keng Ling leekeng@dbs.com

## HOLD

Price	Mkt Cap	Target Price	Total Return
SGD 0.6	SGD 211.34 M	SGD 0.67	18.9%

### WHAT'S NEW

2022-06-19 23:10:21

- **1Q22 performance above our expectations but inline with overall property market; expect muted outlook ahead**
- **Stable market share of 37.9%**
- **Weaker project pipeline with about 7,040 units to be launched in 2022 vs 8,428 units in 2021**

## MUTED GROWTH OUTLOOK

### INVESTMENT THESIS

#### Key Arguments:

**Impacted by cooling measures and rising interest rate.** The recent property cooling measures and rising interest rate environment are expected to affect property market sentiment in the near term, at least for the next 1-2 years. With fewer new launches in the pipeline for 2022 as compared to 2021 and depleting inventory of unsold as well as construction delays, we have cut our transaction volume projections for the various segments.

**Expecting steeper drop in private new home sales vs resale and HDB resale.** For the new home sales segment, we cut our projection by 18% to 26% to 9,000/10,000 units for FY22F/23F. For the resale segment, we have penciled in a 6 to 10% cut to 15,000/16,000 and a 11-12% cut for the HDB resale division to 26,500/27,000 units.

#### PE Valuation

We have reduced our TP to S\$0.67 (previously S\$0.88) pegged to c.10x FY22F earnings, equivalent to its average 4-year PE, on the back of the lower earnings as we cut our transaction volume assumptions.

**Where we differ:** We are more cautious on the outlook as we are expecting fewer new launches while inventory is depleting.

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

**Key Risks to Our View:** Additional property cooling measures; outlook is dependent on Singapore's residential property market and macroeconomic conditions.

### STOCK PRICE



Source: Refinitiv

### FORECASTS AND VALUATION (SGD, M)

FY Dec	FY2020A	FY2021A	FY2022F	FY2023F
Revenue	395.1	739.8	545.7	596.3
EBITDA	23.99	48.13	34.04	35.64
Pre-tax Profit	19.65	42.62	28.53	30.12
Net Profit	16.44	35.39	23.63	24.95
Net Pft (Pre Ex.)	16.44	35.39	23.63	24.95
Net Pft Gth (Pre-ex) (%)	17.3	115.3	(33.2)	5.6
EPS (SGD)	4.63	9.96	6.65	7.02
EPS Pre Ex. (SGD)	4.63	9.96	6.65	7.02
EPS Gth Pre Ex (%)	17.3	115.3	(33.2)	5.6
Diluted EPS (SGD)	4.63	9.96	6.65	7.02
Net DPS (SGD)	2.50	7.50	3.66	3.86
BV Per Share (SGD)	43.57	45.30	48.30	51.46
PE (x)	13.9	6.5	9.7	9.2
PE Pre Ex. (x)	13.9	6.5	9.7	9.2
P/Cash Flow (x)	11.4	4.2	17.4	7.3
EV/EBITDA (x)	10.2	4.7	6.6	5.8
Net Div Yield (%)	3.9	11.6	5.7	6.0
P/Book Value (x)	1.5	1.4	1.3	1.3
Net Debt/Equity (x)	0.1	0	0	0
ROAE (%)	10.9	22.4	14.2	14.1

**WHAT'S NEW**

Date	Title
2022-06-19 23:10:21	Results Analysis: 1Q22 above our expectations but inline with overall property market

**APAC Realty 1Q22 business update - Above our expectations but inline with overall property market**

- **1Q22 performance above our expectations but inline with overall property market; expect muted outlook ahead**
- **Stable market share of 37.9%**
- **Weaker project pipeline with about 7,040 units to be launched in 2022 vs 8,428 units in 2021**
- **No change in forecasts, maintain HOLD with S\$0.67 TP**

**Delayed release of 1Q22 update due to the MGO.** APAC provided 1Q22 business update last Friday, delayed due to the mandatory general offer (MGO) by Morgan Stanley fund to acquire the remaining stake in APAC Realty after the acquisition of a 59.8% stake from Northstar at S\$0.57 per share. At the close of the offer on 10 June 2022, Morgan Stanley fund only received valid acceptance of 3.7% stake, as the offer price was at a steep discount of c.30% to the last traded price.

**1Q22 performance above our expectations but inline with overall property market.** APAC reported total revenue of S\$171.1m, an increase of 11.8% y-o-y for 1Q22. Among the different segments, new home sales saw a 42.2% increase to S\$77.2m, largely due to an increase in billings of new homes from transactions in previous quarters. Revenue from the resale and rental segment eased 4.6% to S\$92m. Overall net profit was up 20% y-o-y to S\$9m, translating to net margin of 5.3%, higher than the 4.9% in 1Q21 and 4.8% for FY21, above our expectations.

**Stable market share.** ERA maintained its market share of 37.9% of the residential property market (exclude leasing) in 1Q22, same as 1Q21. The stronger performance in the private resale segment offset the weaker performance in the new home division.

**1Q22 Financial Highlights**

(S\$m)	1Q22	1Q21	% Change
<b>Brokerage revenue</b>	<b>169.2</b>	<b>150.7</b>	<b>12.2</b>
Resale and rental	92.0	96.4	-4.6
New homes	77.2	54.3	42.2
Other revenue	1.9	2.4	-20.8
<b>Total revenue</b>	<b>171.1</b>	<b>153.1</b>	<b>11.8</b>
Gross profit	18.3	15.1	21.2
Net profit	9.0	7.5	20.0
<b>Margins</b>			
Gross profit	10.7%	9.9%	
Net profit	5.3%	4.9%	

**1Q22 Singapore Property Market**

## What's new

	1Q22	1Q21	% Change
<b>Market Transaction Volume</b>			
New homes (incl. ECs)	1,956	4,140	-52.8
Private resale	3,518	4,607	-23.6
HDB resale	6,934	7,581	-8.5
Private rental	22,188	24,046	-7.7
HDB rental	10,189	10,676	-4.6
<b>Total residential transactions</b>	<b>44,785</b>	<b>51,050</b>	<b>-12.3</b>
<b>Price Index</b>			
Private residential	174.8	162.2	7.8
Rental	119.0	106.2	12.1
HDB	159.5	142.2	12.2
<b>Supply</b>			
Pipeline supply	47,415	48,139	-1.5
Unsold units (excl. ECs)	14,087	21,602	-34.8
Number of HDB flats rented out	56,340	58,171	-3.1
<b>Market Share</b>			
<b>All residential transactions sales</b>			
ERA	4,707	6,189	-23.9
Market	12,408	16,328	-24.0
ERA market share	37.9%	37.9%	
<b>New homes</b>			
ERA	592	1,323	-55.3
Market	1,956	4,140	-52.8
ERA market share	30.3%	32.0%	
<b>Private resale</b>			
ERA	1,472	1,915	-23.1
Market	3,518	4,607	-23.6
ERA market share	41.8%	41.6%	
<b>HDB Resale</b>			
ERA	2,643	2,951	-10.4
Market	6,934	7,581	-8.5
ERA market share	38.1%	38.9%	
<b>Leasing (Private &amp; HDB)</b>			
ERA	5,217	5,579	-6.5
Market	22,188	24,046	-7.7
ERA market share	23.5%	23.2%	

**Weaker project pipeline.** YTD, ERA has launched five projects. There are 20 more projects with a total of about 7,040 units in the pipeline, expected to be launched in 2022, as compared to 23 projects with 8,428 units in 2021.

**No change in forecasts, maintain HOLD with S\$0.67 TP.** Despite the better than expected 1Q22 performance, we are maintaining our numbers as we expect muted outlook on the back of the rising interest rate environment and growing risk of the economy slipping into a recession. New launches are also expected to be lower than last year, while the unsold stockpile has been depleting (-34.8% y-o-y in 1Q22). Overall, we expect earnings to drop 33.2% in FY22F, and recover by a modest 6% in FY23F. Maintain HOLD with TP of S\$0.67, pegged to c.10x FY22F earnings, equivalent to its average 4-year PE.

**PRINCIPAL SHARE PRICE DRIVERS**

**Commissions from property sales/rental are key contributor to earnings, and property transaction activities remain resilient despite COVID**

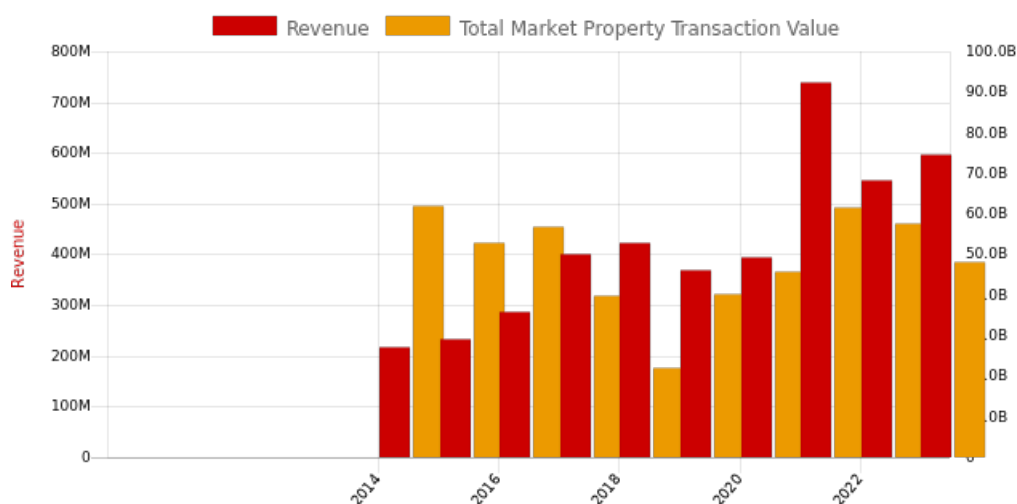
APAC's revenue and earnings are primarily derived from the commission generated from the property sale and rental from the private and public markets.

15 Mar 2022

About 80% of APAC's gross profit is generated from the brokerage segment. The private primary residential market, the private secondary residential market and the HDB resale & leasing market each account for about one-third each.

We are now projecting new home sales of 9,000/10,000 units for FY22F/23F, vs our previous projection of 12,200 for both years. For private resale segment, we project 15,000/16,000 for FY22F/23F, down from our previous expectation of 16,600 and 17,000 units respectively. Projection for HDB resale transaction has also been lowered by 11-12% to 26,500/27,000 units for FY22F/23F. Coupled with the depleting inventory of unsold units as well as construction delays, overall transaction value is expected to ease c.30% in FY22F, after a strong c.70% surge in FY21.

**Singapore - Total Market Property Transaction Value vs. APAC Realty Ltd - Revenue**



**Market share stable despite competitive environment**

ERA is ranked 2 in Singapore, in terms of total property transacted. A bigger market share would translate to higher participation in the total volume transacted, which would directly impact on APAC's bottomline

15 Mar 2022

**ERA's overall market share saw a slight increase.** For FY21, ERA's overall market share in terms of transaction value improved to 33.6% from 33.3%. The private new homes segment saw an improvement to 34.1% but the private resale segment eased to 33.6% from 36% in FY20. The HDB resale segment was relatively stable with a 41.4% market share.

**ERA's market share based on transaction value**

Market share	FY20 (%)	FY21 (%)
Private new homes	31.4	34.1
Private resale	36.0	33.6
Private leasing	17.5	19.1
HDB resale	42.2	41.4
Overall market	33.3	33.6

Source: Company, DBS Bank

**APAC Realty Ltd - Market Share of Primary Market vs. Share Price**



**APAC Realty Ltd - Market Share of Secondary Market vs. Share Price**



**APAC Realty Ltd - Market Share of HDB Market vs. Share Price**



### APAC Realty Ltd - Market Share for Agents vs. Share Price



### Healthy project pipeline

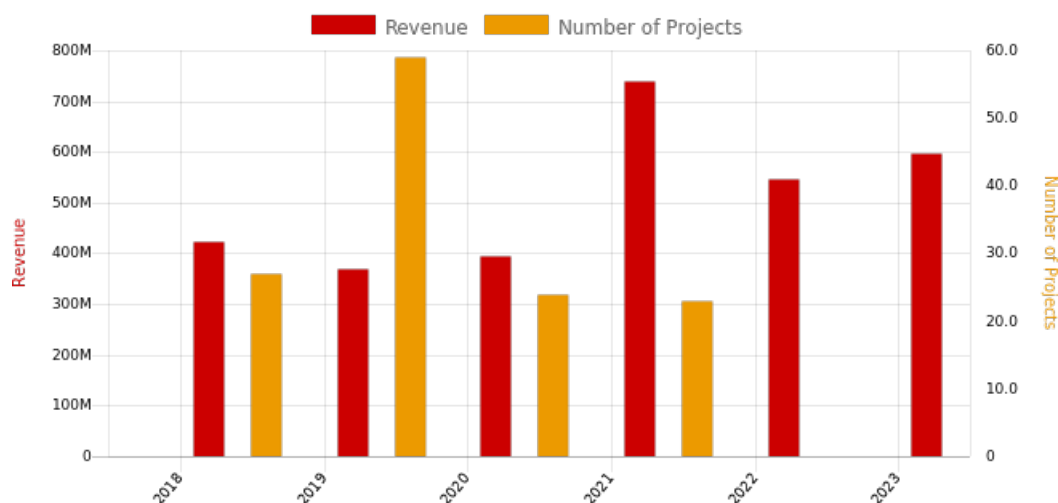
Number of new residential projects where ERA is appointed marketing agent. A healthy project pipeline should lead to more project sale

15 Mar 2022

**Decent project pipeline.** As of 21 February 2022, ERA has secured marketing mandates for 33 projects with a total of close to 7,200 units slated to be launched in 2022, as compared to 23 projects with 8,428 units in 2021.

In the en-bloc space, ERA has been appointed the marketing agent for Chuan Park, Choon Kim House in Serangoon, four more condominiums valued at S\$3.1bn and another site in the Chinatown area valued at about S\$1.8bn.

### APAC Realty Ltd - Number of Projects vs. Revenue



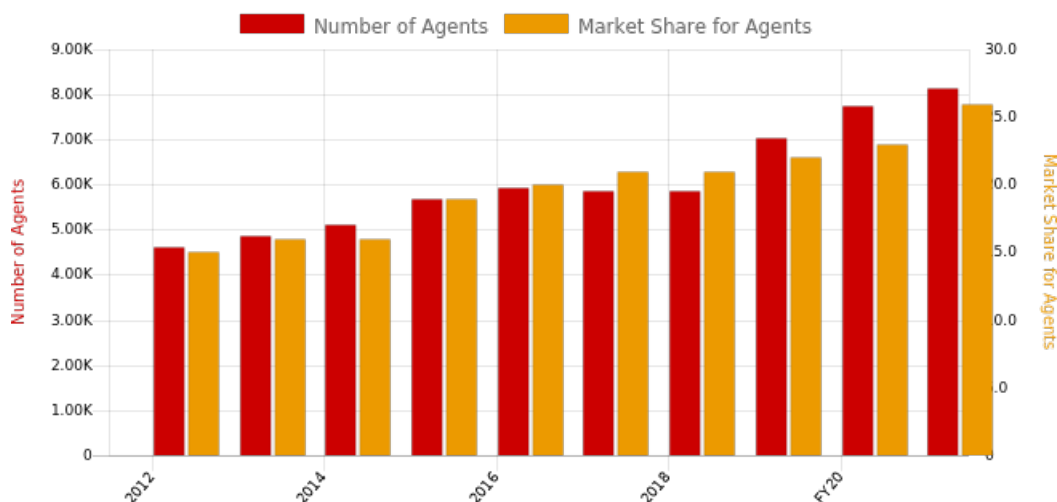
### Growing agent strength to generate sales

APAC has one of the largest numbers of registered real estate agents. APAC's agents are its primary sales force through which units are transacted and are not employees of the group.

15 Mar 2022

APAC has grown its network of agents over the years and has managed to gain market share. In terms of agents, as of 1 January 2022, ERA had 8,144 agents, a 4.8% increase from 7,771 a year ago. The group targets to have >10,000 agents in 3 years' time.

**APAC Realty Ltd - Number of Agents vs. Market Share for Agents**



**Property tightening measures**

**Implementation of property cooling measures could lead to lower property transaction activities, hence affecting APAC's revenue and earnings**

15 Mar 2022

**Market getting less sensitive to cooling measures.** Based on historical trend, the negative impact on the property market was short-lived, followed by a strong recovery on home price.

PPI	Transaction Volume
<b>2013: Lower LTV, higher ABSD; TDSR introduced</b>	
<ul style="list-style-type: none"> <li>Down 11.7% from 3Q13 to 2Q17</li> <li>Up 27.1% from 3Q17 to 4Q21</li> </ul>	<ul style="list-style-type: none"> <li>In 2014 down 43.5% y-o-y</li> <li>In 2017 up 94.7% from 2014</li> </ul>
<b>2018: Lower LTV, higher ABSD</b>	
<ul style="list-style-type: none"> <li>Down 0.3% from 3Q18 to 1Q19</li> <li>Up 11.2% from 2Q19 to 4Q21</li> </ul>	<ul style="list-style-type: none"> <li>In 2019 down 13.5% y-o-y</li> <li>As at 3Q21, volume jumped 33.8% from 2019</li> </ul>

Source: URA, Company, DBS Bank

The private residential price index (PPI) declined by 11.7% over 4 years when the TSDR/ABSD cooling measures were announced in 2013. This was followed by rise of 27.1% from 3Q17 to 4Q21. The market was less sensitive to the 2018 colling measures. PPI was down for three quarters (3Q18-1Q19), followed by a strong rebound from 2Q19 to 4Q21.

In terms of transaction volume, post 2013 cooling measures, the private property market saw a 43.5% y-o-y decline in number of units sold in 2014. In 2017, transaction volume surged 94.7% from 2014. Post 2018 cooling measures, transaction volume declined 13.5% in 2019. As at 3Q21, volume jumped 33.8% from 2019. The HDB resale volume remained strong despite the cooling measures. Transaction volume increased 43.5% during the 2013 - 2017 period and was flat from 2018 to 3Q21.

**HDB resale prices only rebounded in 2020 but demand remained strong.** Meanwhile, HDB resale prices rebounded only in

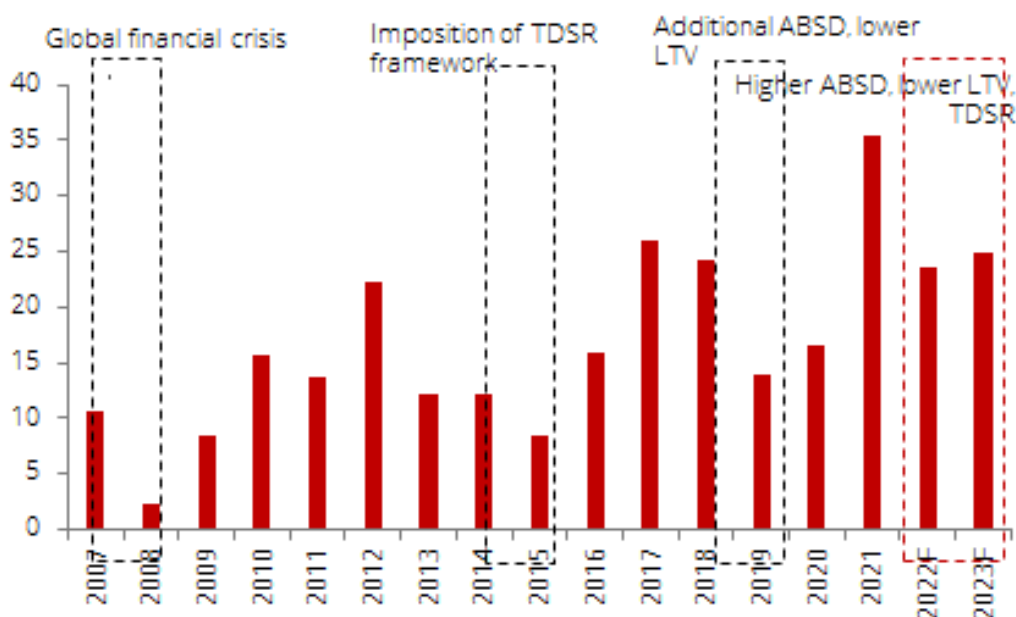
Principal Share Price Drivers

2Q20, after a 7-year decline (from 2Q13) of 12.5%. But the rebound in 2Q20 was strong, +18.8%. Demand, however, remained strong despite the cooling measures. Sales volume was up 43.5% in 2017, as compared to 2013.

In terms of impact to earnings for APAC, FY2018 was not much affected, due to the three to six months lag from date of transaction to revenue recognition. **The adverse impact was felt in FY2019, with a 42% plunge in net profit,** as compared to FY2018. In other instances, a slew of property cooling measures, including the introduction of the Total Debt Servicing Ratio (TDSR) in 2013, has also affected APAC's earnings. **FY2015 saw net profit tanked 31% from 2014.**

**Implementation of additional property cooling measures** could lead to lower property market transaction activities. **This would affect APAC's revenue and earnings,** which are primarily derived from the commission generated from property sale and rental.

**APAC Realty Ltd - Net Profit Trend**





## VALUATION

### PE Valuation

We have reduced our TP to S\$0.67 (previously S\$0.88) pegged to c.10x FY22F earnings, equivalent to its average 4-year PE, on the back of the lower earnings as we cut our transaction volume assumptions.

**Where we differ:** We are more cautious on the outlook as we are expecting fewer new launches while inventory is depleting.

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

**Key Risks to Our View:** Additional property cooling measures; outlook is dependent on Singapore's residential property market and macroeconomic conditions.

## PROFILE

APAC Realty is one of the leading players in the real estate brokerage industry in Asia. APAC Realty operates three main business segments - the real estate brokerage services; franchise arrangements; and training, valuation and other ancillary services. APAC Realty holds the exclusive ERA regional master franchise rights for 17 countries in Asia Pacific. Through its ERA franchisee network, the Group has one

of the largest brand footprints in Asia with more than 17,300 salespersons across 651 offices in 10 countries.

At A Glance	
Issued Capital (m shrs)	355
Mkt. Cap (S\$m/US\$m)	229 / 170
Major Shareholders (%)	
Tan Choon Hong	70.9
Free Float (%)	24.8
3m Avg. Daily Val (US\$m)	0.23
<b>GIC Industry</b> :Real Estate / Real Estate Management & Development	

### Business Segment

#### 1) Real Estate Brokerage Services

Derives revenue from the provision of property brokerage services and commission-based fees from:

- Primary home sales
- Secondary home sales
- Rental of residential, commercial and industrial properties

#### 2) Franchise Agreements

Derives royalties from sub-franchisees. APAC Realty holds the exclusive ERA regional master franchise rights for 17 countries in Asia Pacific and the master franchise rights for Singapore for Coldwell Banker, an established real estate office in the United States.

#### 3) Training, Valuation and Other Ancillary Services

Derives revenue from:

- Training programmes and courses for real estate agents in preparation for professional certification exams and as part of meeting continuing professional development regulations
- Valuation work undertaken on behalf of clients such as financial institutions, government agencies and property owners
- Property management services for real estate developments
- Auction for financial institutions and property owners

### Competitive Positioning

## About Company

ERA is the second largest real estate broker in Singapore, with a market share of c.33% as at end 2019. The Group also holds the exclusive ERA regional master franchise rights for territories in the Asia-Pacific region and is a member of the ERA global franchise. The master franchise model provides APAC with the ability to build its regional presence and network in a capital-efficient manner.

Network.

**Balance Sheet**

**Cash-generative business.** Barring any major capital expenditure, APAC is a cash-generating business with good cash conversion cycle as APAC only pays out to its agents after receiving payments from its debtors.

**Key Assumptions**

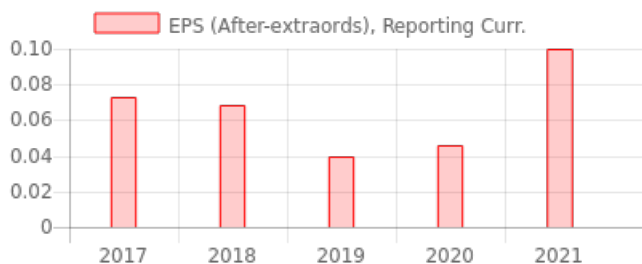
FY Dec	2019A	2020A	2021F	2022F	2023F
<b>Transaction value</b>					
ERA transaction value growth (%)	(18.7)	23.7	75.1	(4.3)	3.14
ERA market share (%)	32.9	33.3	35.2	34.0	34.0

**Segmental Breakdown**

FY Dec	2019A	2020A	2021F	2022F	2023F
<b>Revenues (S\$m)</b>					
Brokerage	359	384	730	536	586
Non-brokerage	10.2	11.2	9.64	10.1	10.6
<b>Total</b>	<b>370</b>	<b>395</b>	<b>740</b>	<b>546</b>	<b>596</b>
<b>Gross profit (S\$m)</b>					
Brokerage	37.3	37.3	64.3	45.5	49.2
Non-brokerage	10.2	10.2	8.64	9.07	9.52
<b>Total</b>	<b>47.5</b>	<b>47.5</b>	<b>72.9</b>	<b>54.6</b>	<b>58.7</b>

Company Ratios

**EPS (After-extraordinaries)**



**Wgt. Forward P/E (APAC.SI)**



**Wgt. Forward P/B (APAC.SI)**



**Wgt. Forward EV to EBITDA**



**Wgt. Forward Dividend Yield**



**FORECASTS AND VALUATION (SGD, M)**

<b>FY Dec</b>	<b>FY2019A</b>	<b>FY2020A</b>	<b>FY2021A</b>	<b>FY2022F</b>	<b>FY2023F</b>
Revenue	369.5	395.1	739.8	545.7	596.3
EBITDA	20.45	23.99	48.13	34.04	35.64
Pre-tax Profit	17.22	19.65	42.62	28.53	30.12
Net Profit	14.01	16.44	35.39	23.63	24.95
Net Pft (Pre Ex.)	14.01	16.44	35.39	23.63	24.95
Net Pft Gth (Pre-ex) (%)	(42.2)	17.3	115.3	(33.2)	5.6
EPS (SGD)	3.94	4.63	9.96	6.65	7.02
EPS Pre Ex. (SGD)	3.94	4.63	9.96	6.65	7.02
EPS Gth Pre Ex (%)	(42.2)	17.3	115.3	(33.2)	5.6
Diluted EPS (SGD)	3.94	4.63	9.96	6.65	7.02
Net DPS (SGD)	2.00	2.50	7.50	3.66	3.86
BV Per Share (SGD)	40.97	43.57	45.30	48.30	51.46
PE (x)	16.4	13.9	6.5	9.7	9.2
PE Pre Ex. (x)	16.4	13.9	6.5	9.7	9.2
P/Cash Flow (x)	13.5	11.4	4.2	17.4	7.3
EV/EBITDA (x)	12.3	10.2	4.7	6.6	5.8
Net Div Yield (%)	3.1	3.9	11.6	5.7	6.0
P/Book Value (x)	1.6	1.5	1.4	1.3	1.3
Net Debt/Equity (x)	0.2	0.1	0	0	0
ROAE (%)	9.7	10.9	22.4	14.2	14.1

**INCOME STATEMENT (SGD, M)**

<b>FY Dec</b>	<b>FY2019A</b>	<b>FY2020A</b>	<b>FY2021A</b>	<b>FY2022F</b>	<b>FY2023F</b>
Revenue	369.5	395.1	739.8	545.7	596.3
Cost of Goods Sold	(323.2)	(347.6)	(664.3)	(491.1)	(537.6)
<b>Gross Profit</b>	<b>46.37</b>	<b>47.52</b>	<b>75.41</b>	<b>54.59</b>	<b>58.72</b>
Other Opng (Exp)/Inc	(27.36)	(26.64)	(31.61)	(25.29)	(27.82)
Operating Profit	19.00	20.88	43.79	29.30	30.90
Other Non Opg (Exp)/Inc	0.000	0.000	0.000	0.000	0.000
Associates & JV Inc	0.000	(0.161)	(0.400)	0.000	0.000
Net Interest (Exp)/Inc	(1.78)	(1.07)	(0.774)	(0.774)	(0.774)
Exceptional Gain/(Loss)	0.000	0.000	0.000	0.000	0.000
<b>Pre-tax Profit</b>	<b>17.22</b>	<b>19.65</b>	<b>42.62</b>	<b>28.53</b>	<b>30.12</b>
Tax	(3.34)	(3.31)	(7.32)	(4.90)	(5.18)
Minority Interest	0.135	0.096	0.095	0.000	0.000
Preference Dividend	0.000	0.000	0.000	0.000	0.000
<b>Net Profit</b>	<b>14.01</b>	<b>16.44</b>	<b>35.39</b>	<b>23.63</b>	<b>24.95</b>
Net Profit before Except.	14.01	16.44	35.39	23.63	24.95
EBITDA	20.45	23.99	48.13	34.04	35.64
<b>Growth</b>					
Revenue Gth (%)	(12.8)	6.9	87.2	(26.2)	9.3
EBITDA Gth (%)	(34.3)	17.3	100.7	(29.3)	4.7
Opg Profit Gth (%)	(36.0)	9.9	109.7	(33.1)	5.4
Net Profit Gth (Pre-ex) (%)	(42.2)	17.3	115.3	(33.2)	5.6
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	12.5	12.0	10.2	10.0	9.8
Opg Profit Margin (%)	5.1	5.3	5.9	5.4	5.2
Net Profit Margin (%)	3.8	4.2	4.8	4.3	4.2
ROAE (%)	9.7	10.9	22.4	14.2	14.1
ROA (%)	4.8	5.3	10.0	6.6	7.2
ROCE (%)	5.9	7.3	16.3	10.4	10.5
Div Payout Ratio (%)	50.7	54.0	75.3	55.0	55.0
Net Interest Cover (x)	10.7	19.5	56.6	37.9	39.9

**BALANCE SHEET (SGD, M)**

<b>FY Dec</b>	<b>FY2019A</b>	<b>FY2020A</b>	<b>FY2021A</b>	<b>FY2022F</b>	<b>FY2023F</b>
Net Fixed Assets	72.80	73.92	72.85	69.13	65.41
Invt in Associates & JVs	0.438	2.43	2.36	2.36	2.36
Other LT Assets	106.2	102.8	100.1	100.0	100.0
Cash & ST Invt	32.02	35.12	53.66	52.83	69.56
Inventory	0.000	0.000	0.000	0.000	0.000
Debtors	68.23	79.57	120.8	73.91	80.76
Other Current Assets	15.44	27.42	36.12	36.12	36.12
<b>Total Assets</b>	<b>295.1</b>	<b>321.3</b>	<b>385.8</b>	<b>334.4</b>	<b>354.2</b>
ST Debt	2.90	2.90	2.90	2.90	2.90
Creditor	71.90	90.89	147.7	88.20	96.54
Other Current Liab	15.61	18.15	24.52	21.94	22.22
LT Debt	51.72	48.82	45.92	45.92	45.92
Other LT Liabilities	7.55	5.94	4.13	4.13	4.13
Shareholder's Equity	145.5	154.8	160.9	171.5	182.8
Minority Interests	(0.070)	(0.164)	(0.250)	(0.250)	(0.250)
<b>Total Cap. &amp; Liab.</b>	<b>295.1</b>	<b>321.3</b>	<b>385.8</b>	<b>334.4</b>	<b>354.2</b>
Non-Cash Wkg. Capital	(3.85)	(2.05)	(15.33)	(0.116)	(1.88)
Net Cash/(Debt)	(22.59)	(16.60)	4.85	4.01	20.74
Debtors Turn (avg days)	63.2	68.3	49.4	65.1	47.3
Creditors Turn (avg days)	76.8	86.3	66.0	88.5	63.3
Inventory Turn (avg days)	0	0	0	0	0
Asset Turnover (x)	1.3	1.3	2.1	1.5	1.7
Current Ratio (x)	1.3	1.3	1.2	1.4	1.5
Quick Ratio (x)	1.1	1.0	1.0	1.1	1.2
Net Debt/Equity (x)	0.2	0.1	0	0	0
Net Debt/Equity ex MI (x)	0.2	0.1	cash	cash	cash
Capex to Debt (%)	2.3	0.3	2.2	2.0	2.0

**CASH FLOW STATEMENT (SGD, M)**

<b>FY Dec</b>	<b>FY2019A</b>	<b>FY2020A</b>	<b>FY2021A</b>	<b>FY2022F</b>	<b>FY2023F</b>
Pre-Tax Profit	17.22	19.65	42.62	28.53	30.12
Dep. & Amort.	1.44	3.27	4.74	4.74	4.74
Tax Paid	(5.31)	(2.47)	(4.12)	(7.48)	(4.90)
Assoc. & JV Inc/(loss)	0.000	0.161	0.400	0.000	0.000
Chg in Wkg.Cap.	(0.361)	(4.31)	6.44	(12.63)	1.49
Other Operating CF	3.98	3.73	4.77	0.000	0.000
<b>Net Operating CF</b>	<b>16.97</b>	<b>20.03</b>	<b>54.86</b>	<b>13.16</b>	<b>31.45</b>
Capital Exp.(net)	(1.24)	(0.161)	(1.08)	(1.00)	(1.00)
Other Invts.(net)	0.000	0.000	0.000	0.000	0.000
Invts in Assoc. & JV	(0.088)	(2.21)	(0.238)	0.000	0.000
Div from Assoc & JV	0.000	0.000	0.000	0.000	0.000
Other Investing CF	(10.33)	(2.57)	(0.793)	0.000	0.000
<b>Net Investing CF</b>	<b>(11.66)</b>	<b>(4.93)</b>	<b>(2.11)</b>	<b>(1.00)</b>	<b>(1.00)</b>
Div Paid	(11.54)	(7.10)	(29.30)	(12.99)	(13.72)
Chg in Gross Debt	(4.76)	(4.90)	(4.90)	0.000	0.000
Capital Issues	0.000	0.000	0.000	0.000	0.000
Other Financing CF	0.000	0.000	0.000	0.000	0.000
<b>Net Financing CF</b>	<b>(16.31)</b>	<b>(12.00)</b>	<b>(34.20)</b>	<b>(12.99)</b>	<b>(13.72)</b>
Currency Adjustments	0.000	0.000	0.000	0.000	0.000
Chg in Cash	(11.00)	3.10	18.55	(0.837)	16.73
Opg CFPS (SGD)	4.88	6.85	13.63	7.26	8.44
Free CFPS (SGD)	4.43	5.59	15.14	3.42	8.57

**RECOMMENDATION DEFINITION**

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

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

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

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

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

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

\*Share price appreciation + dividends

Sources for all charts and tables are DBS Bank unless otherwise specified.

**GENERAL DISCLOSURE/DISCLAIMER**

The research set out on this platform is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out on this platform. Opinions expressed are subject to change without notice. The Information on this platform is for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific user of the platform ("user" from hereon).

This content is for the information of users only and is not to be taken in substitution for the exercise of judgement by users, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this content and/or further communication given in relation to the Information. The Information is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned herein. The DBS Group may have positions in and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of the Information stated, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The Information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to and the DBS Group is under no obligation to update the Information on this platform.

The Information has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating the Information relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this platform were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

1. such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
2. there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in the Information set out on the platform that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve



## Disclaimer

months and does not engage in market-making.

This report is prepared by **DBS Bank Ltd**. This report is solely intended for the clients of DBS Bank, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report

**ANALYST CERTIFICATION**

The research analyst(s) primarily responsible for the Information, in part or in whole, certifies that the views about the companies and their securities expressed herein accurately reflects his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed herein. The research analyst (s) primarily responsible for the Information, in part or in whole, certifies that he or his associate <sup>(a)</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the Information or his associate does not have financial interests<sup>(b)</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the preparation of the Information. The research analyst(s) responsible for this Information operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES**

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 30 Apr 2022.

**COMPENSATION FOR INVESTMENT BANKING SERVICES:**

2. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

**DISCLOSURE OF PREVIOUS INVESTMENT RECOMMENDATION PRODUCED:**

3. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended as set out on this platform herein in this research report during the preceding 12 months. Please contact the primary analyst listed on the Company Landing in the first page in Brain Box in this platform of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.
  - a. An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.
  - b. Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**Target Price & Ratings History**



#	Date of Report	Closing Price	12-m Target Price	Rating
1	24 Feb'21	0.44	0.61	Buy
2	14 May'21	0.50	0.74	Buy
3	13 Aug'21	0.89	1.05	Buy
4	15 Nov'21	0.84	0.88	Hold
5	23 Feb'22	0.68	0.67	BUY
6	24 Feb'22	0.68	0.67	BUY

Analysts: Lee Keng Ling

**RESTRICTIONS ON DISTRIBUTION**

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.  DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.  Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
<b>Hong Kong</b>	This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited ("DBS HK"), a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore. For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at dbsvhk@dbs.com
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.

## Disclaimer

<b>United Kingdom</b>	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<b>Dubai International Financial Centre</b>	<p>This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.</p>
<b>United Arab Emirates</b>	<p>This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.</p>
<b>United States</b>	<p>This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<b>Other jurisdictions</b>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

**DBS Regional Research Offices**
**HONG KONG**  
**DBS (Hong Kong) Ltd**

Contact: Dennis Che Jung LAM  
 13th Floor One Island East,  
 18 Westlands Road,  
 Quarry Bay, Hong Kong  
 Tel: 852 3668 4181  
 Fax: 852 2521 1812  
 e-mail: dbsvhk@dbs.com

**SINGAPORE**  
**DBS Bank Ltd**

Contact: Paul Pau Lee YONG  
 12 Marina Boulevard,  
 Marina Bay Financial Centre Tower 3  
 Singapore 018982  
 Tel: 65 6878 8888  
 e-mail: groupresearch@dbs.com  
 Company Regn. No. 196800306E

**THAILAND**  
**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul  
 989 Siam Piwat Tower Building,  
 9th, 14th-15th Floor  
 Rama 1 Road, Pathumwan,  
 Bangkok Thailand 10330  
 Tel. 66 2 857 7831

**INDONESIA**  
**PT DBS Vickers Sekuritas**  
**(Indonesia)**

Contact: Maynard Priajaya Arif  
 DBS Bank Tower  
 Ciputra World 1, 32/F  
 Jl. Prof. Dr. Satrio Kav. 3-5  
 Jakarta 12940, Indonesia