

# Singapore Flash Note

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DBS Group Research . Equity

6 Sep 2018

## APAC Realty (APAC SP) : HOLD

Mkt. Cap: US\$146m | 3m Avg. Daily Val: US\$0.90m

Last Traded Price ( 5 Sep 2018): S\$0.57

Price Target 12-mth: S\$0.62 (10% upside)

### Analyst

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### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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## NDR Takeaways: Volatile Singapore market; increasing overseas exposure

- Slowdown in activities in the Singapore private residential market but prices are still relatively stable
- Casting its net wider overseas; penetrating China market with JV in Hainan
- No change in forecasts; maintain HOLD, TP: S\$0.62

### Forecasts and Valuation

FY Dec (S\$m)	2016A	2017A	2018F	2019F
Revenue	288	401	389	390
EBITDA	20.8	31.2	28.8	28.0
Pre-tax Profit	18.1	29.4	26.5	24.8
Net Profit	15.9	25.9	23.3	21.8
Net Pft (Pre Ex.)	15.9	25.9	23.3	21.8
Net Pft Gth (Pre-ex) (%)	87.2	63.1	(10.0)	(6.4)
EPS (S cts)	4.47	7.29	6.56	6.14
EPS Pre Ex. (S cts)	4.47	7.29	6.56	6.14
EPS Gth Pre Ex (%)	87	63	(10)	(6)
Diluted EPS (S cts)	4.47	7.29	6.56	6.14
Net DPS (S cts)	0.0	2.00	3.94	3.68
BV Per Share (S cts)	22.2	37.5	40.1	42.5
PE (X)	12.6	7.7	8.6	9.2
PE Pre Ex. (X)	12.6	7.7	8.6	9.2
P/Cash Flow (X)	8.9	5.8	10.2	8.8
EV/EBITDA (X)	9.7	4.5	5.1	5.0
Net Div Yield (%)	0.0	3.5	7.0	6.5
P/Book Value (X)	2.5	1.5	1.4	1.3
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE (%)	22.4	24.4	16.9	14.9

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### What's New

We hosted a NDR with APAC yesterday, to get an update on the property market post the latest round of property cooling measures implemented in July. Overall, the market saw a slowdown in take up rates for new private property launches but prices are relatively stable as developers are now more realistic in setting prices for new launches. In the HDB segment, the number of transactions has improved. Going forward, in view of the volatile Singapore, APAC is beefing up its overseas exposure.

### Slowdown in activities in the Singapore private residential market

The take-up rates for new project launches have been slower post the latest round of cooling measures. On average, about 20% were sold during the first round of launch, vs about 30% to 50% before the cooling measures. Among the buyers, about 75% are first timer vs about 60% previously, while only <10% are foreigners.

In terms of market transactions in the private residential segment for new projects, the average monthly sales in 1H18 was 657 units, vs 1,724 in July (skewed by the c.1000 units sold on the day the cooling measures were announced) and 560 units in August, partly affected by the Hungry Ghost festival. In the private resale market, an average of 1,427 units per month were sold in 1H18, vs 1,092 in July and 419 in August. On the contrary, the volume in the HDB segment increased to 2,551 in July, from 1,733 in 1H18, possibly due to spillover demand from the private segment and also the government's reiteration that older HDB flats are still valuable.

## Flash Note

### Market transaction volume

Segment (units)	1H 2018	1H avg per month	July	August
Private resale	8,567	1,427	1,092	419
HDB	10,399	1,733	2,551	Yet to be released
Private new homes	3,947	657	1,724	560

Source: Company; DBS Bank

### Casting its net wider overseas

APAC is expanding in the Asia-Pacific region with the ERA regional master franchise rights that it has for 17 countries that it secured back in 1999. To date, it has significant presence in Singapore, Japan, and Indonesia and has also signed a master franchisee agreement for Cambodia in February 2018. The franchise model enables the group to increase its regional presence and network in a capital-efficient manner.

Other than the franchise model, APAC has also formed a joint venture (JV) in Hainan, China recently in which it has a 40% stake in the JV company. The JV company will conduct brokerage and resale brokerage businesses, as well as establish training and licensing of real estate agents in Hainan. This agreement is a key milestone for APAC,

presenting the group with an opportunity to penetrate the China market. This allows APAC to have more participation and control in the business with better profit margins through its equity participation. We expect minimal contribution of less than S\$1m to APAC's bottomline from this JV.

Going forward, we can expect more of such collaborations in overseas markets.

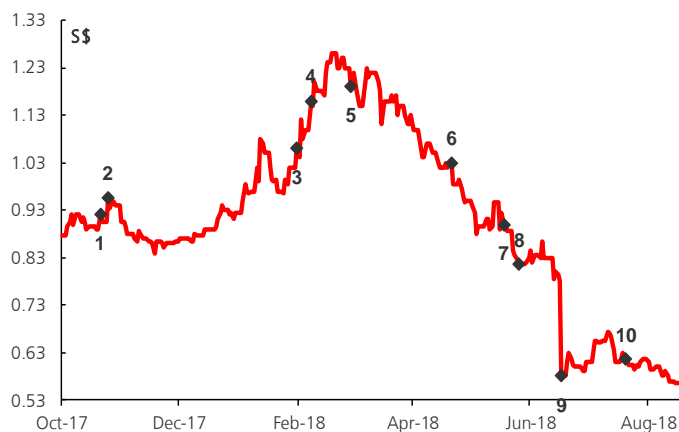
### Earnings and Recommendation

**No change in forecasts; maintain HOLD, TP: S\$0.62.** We maintain our private transaction value assumptions of a 5% drop in FY18F and flat for FY19F. For the HDB segment, we have maintained our flat growth assumption. Thus, no change in our earnings forecasts.

In FY18F, turnover is expected to be flat as APAC has 11 projects that were sold but yet to be invoiced. These projects include New Futura, The Tapestry, The Verandah Residences, Rivercove Residences, Twin Vew, Affinity at Serangoon, Marina One Residences, Riverfront Residences, Park Colonial, Stirling Residences, and The Tre Ver.

Our target price of S\$0.62 is pegged to 10x FY19F earnings. Maintain HOLD.

### Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	09 Nov 17	0.92	1.03	BUY
2:	13 Nov 17	0.96	1.12	BUY
3:	19 Feb 18	1.06	1.12	BUY
4:	26 Feb 18	1.16	1.25	BUY
5:	19 Mar 18	1.19	1.42	BUY
6:	10 May 18	1.03	1.32	BUY
7:	06 Jun 18	0.90	1.32	BUY
8:	14 Jun 18	0.82	1.22	BUY
9:	06 Jul 18	0.58	0.66	FULLY VALUED
10:	08 Aug 18	0.62	0.62	HOLD

Source: DBS Bank

Analyst: Lee Keng LING  
Derek TAN

DBS Bank recommendations are based on 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 catalysts within this time frame)

*Share price appreciation + dividends*

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