

APAC Realty Ltd

Tepid rebound



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SINGAPORE | REAL ESTATE (AGENCIES) | 1H20 RESULTS

17 August 2020

- 1H20 results was below expectations. PATMI rose 52% to S\$7.7mn with revenue rising 6% to S\$172mn.
- Several one-off items supported earnings including S\$0.9mn JSS grant, absence of recruitment expense S\$0.7mn and unrealised FX gain of S\$0.5mn.
- Market share for APAC was maintained around 26%.
- We downgrade to NEUTRAL with a lower target price of S\$0.365. We are lowering our FY20e earnings by 17% to account for slower 2H20. The impact from the lockdown will only materialise in 2H20.

Results at a glance

SGD'000s	1H20	1H19	YoY (%)	Comments
Revenue	172,823	163,061	6%	Includes S\$0.9mn JSS grant.
- resale and rental	112,900	111,500	1%	
a) resale	81,300	73,000	11%	Immediate impact from the lockdown.
b) rental	31,600	38,500	-18%	
- new home sales	54,300	47,000	16%	
Gross profit	21,671	19,978	8%	
Operating expenses	12,603	13,726	-8%	S\$0.7mn decline in recruitment expense.
Operating Profit	9,068	6,252	45%	Includes S\$0.5mn unrealised FX gain.
PATMI	7,757	5,104	52%	
Dividend Per Share (S\$ cts)	0.75	0.75	0%	

Source: Company, PSR

The Positives

+ New homes sales revenue the anchor for growth. Commission revenue from new launches rose 16% YoY in 1H20. It was the fastest-growing revenue segment for the company.

The Negatives

- Interim dividend unchanged. Despite the improvement in earnings, the interim dividend was kept unchanged. Despite the rebound in property transactions in July and August, concerns remain whether the weak economy will hurt buying sentiment in 4Q20.

Outlook

2H20 will bear the brunt of the lockdown especially new home sales and resale. There was no viewing of units from 7 April to 19 June. Another S\$0.7mn from JSS grant can be expected in 2H20. A positive has been the company efforts to expand more aggressively the ERA model into SE Asia, such as Malaysia, Indonesia and Vietnam. This will lay the foundation for future growth outside Singapore.

Downgrade to NEUTRAL from ACCUMULATE with a lower target price of S\$0.365 (prev. S\$0.55)

We are lowering our recommendation due to the weaker than expected results and reducing our earnings estimates for FY20e and FY21e.

NEUTRAL (Downgraded)

LAST DONE PRICE	SGD 0.375
FORECAST DIV	SGD 0.020
TARGET PRICE	SGD 0.365
TOTAL RETURN	2.7%

COMPANY DATA

BLOOMBERG CODE:	APAC SP Equity
O/S SHARES (MN):	355
MARKET CAP (USD mn / SGD mn):	97 / 133
52 - WK HI/LO (SGD):	0.55 / 0.29
3M Average Daily T/O (mn):	0.18

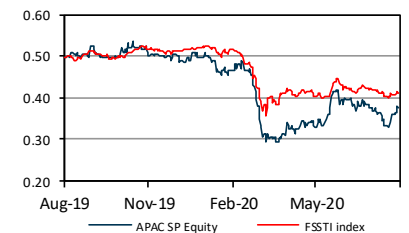
MAJOR SHAREHOLDERS

TAN CHOON HONG	718%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	-	15.6	(21.4)
STI RETURN	(1.0)	4.2	(14.4)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY18	FY19	FY20e	FY21e
Revenue	424.0	369.5	364.1	393.1
Gross Profit	52.8	46.4	43.7	47.2
Operating Profit	29.2	17.2	16.6	17.4
PAT	24.2	13.9	13.8	14.5
P/E (x)	5.5	9.6	9.6	9.2
P/B (x)	0.8	0.9	0.9	0.8
EPS, SGD cents	6.8	3.9	3.9	4.1
Dividend yield, %	12.0	5.3	5.3	5.3
ROE	16.9%	9.5%	9.1%	9.1%
ROA	8.6%	4.7%	4.7%	4.8%

Source: Company Data, PSR

Valuation Method

DCF (WACC 7.5%, Terminal growth 0%)

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Financials

Income Statement

SGD mn, Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
Revenue	400.6	424.0	369.5	364.1	393.1
Cost of services	345.8	371.2	323.2	320.4	345.9
Gross profit	54.9	52.8	46.4	43.7	47.2
Personnel cost	13.8	13.0	13.0	13.2	14.3
Other costs and expenses	11.7	10.5	16.1	13.9	15.5
Profit before tax	29.4	29.2	17.2	16.6	17.4
Tax	(3.5)	(5.0)	(3.3)	(2.8)	(3.0)
Profit after tax	25.9	24.2	13.9	13.8	14.5

Per share data

SGD cents, Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
EPS	8.0	6.8	3.9	3.9	4.1
DPS	2.0	4.5	2.0	2.0	2.0
NAV per share	41.9	45.1	41.0	42.9	44.9

Cash Flow

SGD mn, Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
CFO					
Profit before tax	29.4	29.2	17.2	16.6	17.4
Adjustments	4.4	3.3	6.4	6.6	6.6
WC changes	4.2	(13.3)	(0.4)	(8.4)	(4.8)
Interest and Taxes paid, others	(3.4)	(5.1)	(6.3)	(4.5)	(4.6)
Cashflow from operations	34.6	14.1	17.0	10.3	14.6
CFI					
Acquisition of investment ppty	-	(72.8)	-	-	-
Purchase of PP&E	(0.5)	(0.4)	(1.2)	-	-
Others	(0.2)	(3.2)	(10.4)	-	-
Cashflow from investments	(0.7)	(76.3)	(11.7)	-	-
CFF					
Change in loans and borrowings	(18.0)	57.5	(2.9)	-	-
Payment of dividends	-	(14.2)	(11.5)	(6.9)	(7.2)
Others	28.2	-	-	-	-
Cashflow from financing	10.2	43.3	(16.3)	(6.9)	(7.2)
Net change in cash	44.2	(19.0)	(11.0)	3.4	7.4
CCE, end	62.0	43.0	32.0	35.5	42.8

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

SGD mn, Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
ASSETS					
Investment property	-	72.8	72.8	72.8	72.8
PP&E	1.2	1.1	1.7	1.1	0.5
Intangible assets	100.4	99.5	98.5	97.6	96.7
Others	0.4	0.4	6.5	4.9	3.3
Total non-current assets	102.0	173.7	179.5	176.3	173.2
Trade & other receivables	71.7	53.4	68.2	63.8	68.2
Cash balance	62.0	43.0	32.0	35.5	42.8
Others	0.2	13.1	15.4	15.4	15.4
Total current assets	133.9	109.5	115.7	114.7	126.4
Total Assets	236.0	283.2	295.1	291.0	299.6

LIABILITIES

Trade & other payables	91.5	71.3	81.2	70.2	71.6
Loans and borrowings	-	2.9	2.9	2.9	2.9
Provision for taxation	5.0	5.2	3.3	3.3	3.3
Others	2.0	1.8	3.0	3.0	3.0
Total current liabilities	98.5	81.2	90.4	79.4	80.8
Loans and borrowings	-	54.6	51.7	51.7	51.7
Deferred taxation	4.5	4.3	4.2	4.2	4.2
Total non-current liabilities	4.5	58.9	59.3	59.3	59.3
Total Liabilities	102.9	140.1	149.7	138.7	140.0

EQUITY

Share capital	98.9	98.9	98.9	98.9	98.9
Accumulated profits	34.1	44.1	46.6	53.5	60.7
Non-controlling interests	-	0.0	(0.1)	(0.1)	(0.1)
Total Equity	133.0	143.1	145.5	152.4	159.6

Valuation Ratios

Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
P/E (x)	4.7	5.5	9.6	9.6	9.2
P/B (x)	0.9	0.8	0.9	0.9	0.8
Dividend Yield (%)	5.3	12.0	5.3	5.3	5.3

Growth & Margins (%)

Growth					
Revenue	39.2%	5.8%	-12.8%	-1.5%	8.0%
Gross profit	37.7%	-3.8%	-12.2%	-5.8%	8.0%
PBT	62.7%	-0.6%	-41.1%	-3.4%	4.7%
PAT	63.1%	-6.4%	-42.8%	-0.5%	4.7%

Margins

GP margin	13.7%	12.5%	12.5%	12.0%	12.0%
PBT margin	7.3%	6.9%	4.7%	4.6%	4.4%
PAT Margin	6.5%	5.7%	3.8%	3.8%	3.7%

Key Ratios

ROE (%)	19.5%	16.9%	9.5%	9.1%	9.1%
ROA (%)	11.0%	8.6%	4.7%	4.7%	4.8%
Gearing (x)	-	0.40	0.38	0.36	0.34

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