

Singapore

ADD (no change)

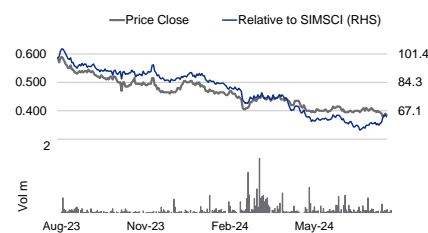
Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	S\$0.385
Target price:	S\$0.45
Previous target:	S\$0.54
Up/downside:	16.9%
CGSI / Consensus:	7.1%
Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$103.3m
	S\$136.8m
Average daily turnover:	US\$0.02m
	S\$0.03m
Current shares o/s:	355.2m
Free float:	26.0%

*Source: Bloomberg

Key changes in this note

- FY24F EPS decreased by 27.3%.
- FY25F EPS decreased by 14.8%.
- FY26F EPS decreased by 8.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.8	-6.1	-35.3
Relative (%)	2.6	-5.2	-35.7

Major shareholders

	% held
NHPEA Ace Realty Company Ltd	64.8
Chua Kee Hak	8.7

Analyst(s)



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APAC Realty Ltd

Dragged by soft new home sales volume

- APAC's 1H24 EPS of 1.15 Scts is below our estimate, at 31.3% of our FY24F forecast due to lower-than-expected topline performance.
- New home sales revenue was dragged by lower volume transactions.
- We maintain our Add rating with a lower TP of S\$0.45.

1H24 results highlights

APAC reported a 2.2% yoy rise in 1H24 revenue to S\$265.2m on higher resale and rental brokerage revenue, partly offset by lower commissions from new home sales. However, PATMI fell 18.7% yoy to S\$4.1m, due to lower gross profit owing to a skew of product mix to the lower yielding resale segment, partly moderated by a reduction in operating expenses. In 1H24, GP margin narrowed 1% pt yoy to 9.2%. 1H24 EPS came in at 1.15 Scts (-18.7% yoy). Overseas operations, mainly in Indonesia and Vietnam, which accounted for c.1.6% of 1H24 topline, dragged the group's performance, posting a net loss, albeit smaller, owing to a slowdown in Vietnam's residential market. APAC proposed an interim DPS of 0.9 Scts, representing a 78% payout ratio.

Lower new home sales commission due to fall in market volumes

APAC generated lower new home sales commission in 1H24 to S\$57.9m (-21% yoy), due to a 31.8% yoy decline in new private and executive condominium sales volume to 2,484 units in 1H24, on the back of slow pace of new launches. According to management, its market share in this segment remained relatively stable on a yoy basis. That said, with the slow 1H24 start, we have lowered our 2024F volume sales projections to 5k-6k (from 7k-8k). Management indicated in its results presentation that there are 14 projects (6,712 units) in the launch pipeline in 2H24F. If fully rolled out, this should bolster volume sales and revenue from new home sales from 2H24F, in our view.

Higher volume sales and market share boost brokerage revenue

Brokerage revenue from resale and rental grew 11.4% yoy to S\$203.6m in 1H24 due to higher transaction volumes in the private resale, HDB resale and private leasing segments during the period. This, coupled with APAC's uptick in market shares across these segments in 1H24, helped boost revenue contributions. APAC's sales force of agents grew 3.8% to 9,225 in Jan-Jun 2024. This should bolster APAC's market share and boost resale and rental commissions in FY24F, in our view. While overseas contributions remain small, management indicated during the presentation that the operating environment in Vietnam has improved over the past months. APAC also forayed into the Philippines through an ERA Franchise Agreement with Upper Room Realty (Inc) in Apr 2024.

Reiterate Add rating

We cut our FY24-26F EPS by 8.0-27.3% on lower market volume transaction assumptions. Our TP is reduced to S\$0.45, based on an unchanged blend of net cash-adjusted FY24F P/E multiple of 10x and 5-year DCF valuation. We keep our Add call as we believe APAC should benefit from an anticipated recovery in transaction activity in 2H24F and its strategy to grow market share. We believe the stronger 2H24F launch pipeline, coupled with the recovery in the Vietnam residential sector, could provide some tailwinds for APAC's 2H24F operating performance. Potential re-rating catalysts: gaining primary and secondary residential market share by expanding its sales force, and improved earnings momentum from its Vietnam and Indonesia operations. Key downside risks: delayed recovery of the property market due to more property cooling measures, and continued erosion of market share that would slow its earnings recovery.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues (S\$m)	705.0	557.3	639.7	718.0	793.0
Operating EBITDA (S\$m)	39.33	18.38	16.81	19.61	23.22
Net Profit (S\$m)	29.69	11.72	9.47	11.69	14.51
Normalised EPS (S\$)	0.084	0.033	0.027	0.033	0.041
Normalised EPS Growth	(16.1%)	(60.5%)	(19.2%)	23.5%	24.1%
FD Normalised P/E (x)	4.61	11.67	14.45	11.69	9.42
DPS (S\$)	0.063	0.025	0.020	0.025	0.031
Dividend Yield	16.2%	6.5%	5.3%	6.5%	8.1%
EV/EBITDA (x)	3.39	7.41	6.64	4.95	3.51
P/FCFE (x)	5.30	10.38	3.89	5.17	4.70
Net Gearing	(2.1%)	(0.5%)	(15.7%)	(23.8%)	(31.6%)
P/BV (x)	0.85	0.86	0.85	0.81	0.78
ROE	18.5%	7.4%	5.9%	7.1%	8.4%
% Change In Normalised EPS Estimates			(27.3%)	(14.8%)	(8.0%)
Normalised EPS/consensus EPS (x)			0.72	0.75	0.97

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$m)	1H		yoy % chg	2H		Prev. FY24F	Comments
	FY24	FY23		FY23	hoh % chg		
Revenue	265.2	259.6	2.1	297.6	-10.9	669.0	Below. 1H FY24: 39.6% of our FY24F forecast
Operating costs	(257.4)	(250.9)	2.6	(286.9)	-10.3	(646.5)	
EBITDA	7.8	8.8	-11.0	10.7	-27.1	22.5	Below. 1H FY24: 34.7% of our FY24F forecast
EBITDA margin (%)	2.9%	3.4%	n.m.	3.6%	n.m.	3.4%	
Depreciation/Amortisation	(2.0)	(1.9)	6.6	(2.0)	2.5	(3.8)	
EBIT	5.8	6.9	-15.8	8.7	-33.7	18.6	
Interest expense	(1.0)	(1.0)	-4.6	(1.1)	-10.0	(1.9)	
Interest & invt inc	-	-	n/a	-	n/a	-	
Associates' contribution	-	-	n/a	-	n/a	-	
Exceptionals	-	-	n/a	0.1	-100.0	-	
Pretax profit	4.8	5.9	-17.8	7.7	-37.5	16.7	
Tax	(1.1)	(1.5)	-25.3	(1.4)	-21.9	(3.7)	
Tax rate (%)	23.5%	25.9%	n.m.	0.2	n.m.	-21.9%	
Minority interests	0.4	0.7	-41.8	0.5	-24.5	(0.0)	
Net profit	4.1	5.0	-18.7	6.8	-39.9	13.0	Below. 1H FY24: 31.3% of our FY24F forecast
Core profit	4.1	5.0	-18.7	6.7	-39.4	13.0	Below. 1H FY24: 31.3% of our FY24F forecast
EPS (Scts)	1.15	1.41	-18.7	1.9	-39.9	3.67	Below. 1H FY24: 31.3% of our FY24F forecast
Core EPS (Scts)	1.15	1.41	-18.7	1.9	-39.4	3.67	Below. 1H FY24: 31.3% of our FY24F forecast

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions

FYE Dec (\$m)	Previous			New			% chg		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Gross revenue	669.0	760.7	821.7	639.7	718.0	793.0	-4.4%	-5.6%	-3.5%
PATMI	13.0	13.7	15.8	9.5	11.7	14.5	-27.3%	-14.8%	-8.0%
EPS (Scts)	3.67	3.86	4.44	2.66	3.29	4.09	-27.3%	-14.8%	-8.0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Singapore developers peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY24F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY23A	FY24F	FY25F			FY23A	FY24F	FY23A	FY24F
APAC Realty Ltd	APAC SP	Add	0.39	0.45	103	14.4	11.7	9.4	n.a.	n.a.	0.85	0.81	5.3%	6.5%
Capitaland Investment	CLI SP	Add	2.50	4.30	9,435	14.1	13.3	12.7	4.78	-48%	0.89	0.85	4.8%	4.8%
City Developments	CIT SP	Add	5.15	8.97	3,475	13.7	11.1	10.8	16.30	-68%	0.46	0.45	2.3%	2.3%
Frasers Property Limited	FPL SP	Add	0.79	1.41	2,328	11.0	13.0	14.1	2.56	-69%	0.27	0.26	5.7%	5.7%
Propnex Ltd	PROP SP	Add	0.78	1.04	433	11.4	10.6	9.9	n.a.	n.a.	4.37	4.09	7.9%	8.5%
UOL Group	UOL SP	Add	5.32	8.20	3,395	12.0	11.7	11.7	13.66	-61%	0.40	0.39	2.8%	2.8%
Singapore average						14.8	11.5	11.2		-55%	0.39	0.38	4.9%	4.9%

SOURCES: CGSI RESEARCH, BLOOMBERG, COMPANY REPORTS
Share prices as at 8 Aug 2024



ESG in a nutshell

APAC's key sustainability pillars include i) Environmental – through innovative solutions in clean energy and operations; ii) Social – through developing people and communities for mutual betterment through innovative culture; and iii) Governance – through implementing and leveraging on robust risk culture and governance to reliably deliver its accountability to stakeholders. APAC has set an annual target to reduce electricity consumption by 1.2% yoy. Its sustainability targets include promoting environmental sustainability, developing employee and salesperson talent and skills, lowering energy consumption and encouraging workforce gender and age diversity. Some of its growth strategies include strengthening and expanding its presence in Singapore, expanding its range of services and geographical presence in the Asia Pacific region, and enhancing its technological capabilities.

Keep your eye on

Some of the key ESG items that stood out for APAC in FY23 include zero incidences of corruption and non-compliance with rules or regulations.

Implications

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

Some of APAC's FY23 ESG highlights include increasing the amount of solar power harvested by 35.3% yoy and decreasing emission intensity (for operations in Singapore and Thailand) by 38.8% yoy, attributed to a strategic decision to vacate some office spaces in Singapore to improve operational efficiency. APAC also replaced escalators with energy-efficient model escalators which are designed to optimise energy consumption by operating at reduced speeds during periods of low passenger activity. In terms of the 'Social' pillar, it achieved a 7.9% increase in donations and Corporate Social Responsibility expenditure for charities and community partners in FY23. Water consumption increased 23.5% yoy due to an increase in the number of training and events hosted within its Singapore office space.

Implications

We have not applied any premium/discount for ESG in our fundamental valuations.

Trends

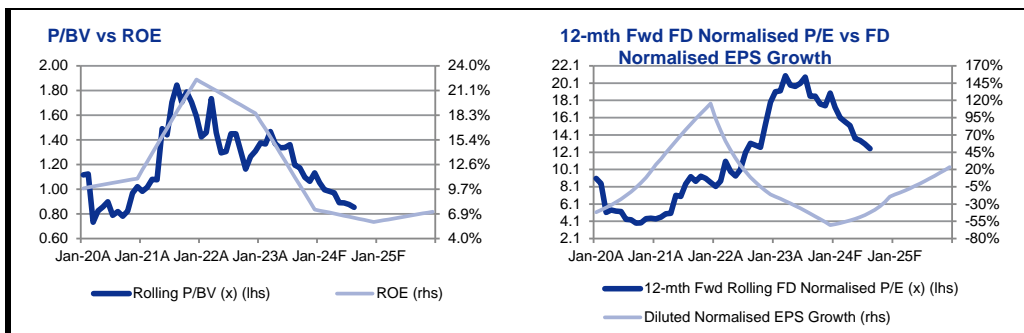
To improve efficiency of water usage, APAC has installed self-closing water-saving taps at all its buildings.

Implications

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: CGSI RESEARCH, LSEG

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	705.0	557.3	639.7	718.0	793.0
Gross Profit	73.4	55.0	56.2	63.3	71.0
Operating EBITDA	39.3	18.4	16.8	19.6	23.2
Depreciation And Amortisation	(2.4)	(2.7)	(2.7)	(2.7)	(2.7)
Operating EBIT	36.9	15.6	14.1	16.9	20.5
Financial Income/(Expense)	(1.0)	(2.1)	(1.9)	(1.8)	(1.8)
Pretax Income/(Loss) from Assoc.	0.1	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	36.0	13.5	12.2	15.0	18.6
Exceptional Items					
Pre-tax Profit	36.0	13.5	12.2	15.0	18.6
Taxation	(6.4)	(3.0)	(2.7)	(3.3)	(4.1)
Exceptional Income - post-tax					
Profit After Tax	29.6	10.5	9.5	11.7	14.5
Minority Interests	0.1	1.2	(0.0)	(0.0)	(0.0)
Prof. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	29.7	11.7	9.5	11.7	14.5
Normalised Net Profit	29.6	10.5	9.5	11.7	14.5
Fully Diluted Normalised Profit	29.7	11.7	9.5	11.7	14.5

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	39.33	18.38	16.81	19.61	23.22
Cash Flow from Invnt. & Assoc.	(0.12)	0.00	0.00	0.00	0.00
Change In Working Capital	(1.11)	3.63	18.29	4.31	4.13
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	5.17	(0.55)	3.82	3.82	3.82
Other Operating Cashflow	3.61	9.19	4.12	4.05	4.05
Net Interest (Paid)/Received	(0.49)	(1.80)	(1.91)	(1.84)	(1.84)
Tax Paid	(7.47)	(6.82)	(2.67)	(3.29)	(4.09)
Cashflow From Operations	38.93	22.03	38.46	26.66	29.30
Capex	(2.30)	(1.35)	(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	(6.17)	(4.18)	0.00	0.00	0.00
Cash Flow From Investing	(8.47)	(5.53)	(0.20)	(0.20)	(0.20)
Debt Raised/(repaid)	(4.64)	(3.32)	(3.09)	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(26.64)	(13.68)	(8.88)	(7.19)	(8.89)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(31.28)	(17.00)	(11.97)	(7.19)	(8.89)

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	49.3	44.1	65.7	80.4	96.0
Properties Under Development					
Total Debtors	153.4	102.1	116.8	130.8	144.2
Inventories					
Total Other Current Assets	5.0	11.6	11.6	11.6	11.6
Total Current Assets	207.6	157.7	194.1	222.7	251.8
Fixed Assets	73.9	72.5	69.9	67.4	64.8
Total Investments	2.9	1.3	1.3	1.3	1.3
Intangible Assets	103.5	110.9	109.8	108.7	107.7
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	180.3	184.7	181.0	177.4	173.8
Short-term Debt	45.9	3.1	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	169.1	129.6	162.7	180.9	198.5
Other Current Liabilities	8.3	5.6	5.4	5.4	5.4
Total Current Liabilities	223.3	138.4	168.3	186.6	204.1
Total Long-term Debt	0.0	40.1	40.1	40.1	40.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.4	0.4	0.4	0.4
Total Non-current Liabilities	0.0	40.6	40.6	40.6	40.6
Total Provisions	4.4	4.9	4.9	4.9	4.9
Total Liabilities	227.7	183.8	213.7	232.0	249.5
Shareholders' Equity	160.1	158.4	161.2	167.9	175.7
Minority Interests	0.0	0.2	0.2	0.3	0.3
Total Equity	160.2	158.6	161.4	168.2	176.0

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	(4.7%)	(21.0%)	14.8%	12.2%	10.5%
Operating EBITDA Growth	(14.2%)	(53.3%)	(8.5%)	16.6%	18.5%
Operating EBITDA Margin	5.58%	3.30%	2.63%	2.73%	2.93%
Net Cash Per Share (S\$)	0.01	0.00	0.07	0.11	0.16
BVPS (S\$)	0.45	0.45	0.45	0.47	0.49
Gross Interest Cover	37.56	7.35	7.37	9.15	11.12
Effective Tax Rate	17.9%	21.9%	21.9%	21.9%	21.9%
Net Dividend Payout Ratio	74.8%	75.8%	76.0%	76.0%	76.0%
Accounts Receivables Days	70.36	82.04	61.14	61.62	62.09
Inventory Days	-	-	-	-	-
Accounts Payables Days	87.74	98.98	83.38	88.41	89.22
ROIC (%)	23.9%	9.9%	8.7%	12.0%	15.5%
ROCE (%)	17.4%	7.5%	6.8%	8.0%	9.4%
Return On Average Assets	7.90%	3.47%	3.18%	3.50%	3.97%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Brokerage from resale and rental (S\$m)	417.0	403.4	519.3	558.7	599.0
Brokerage from project sales (S\$m)	278.2	145.2	117.5	156.4	191.1

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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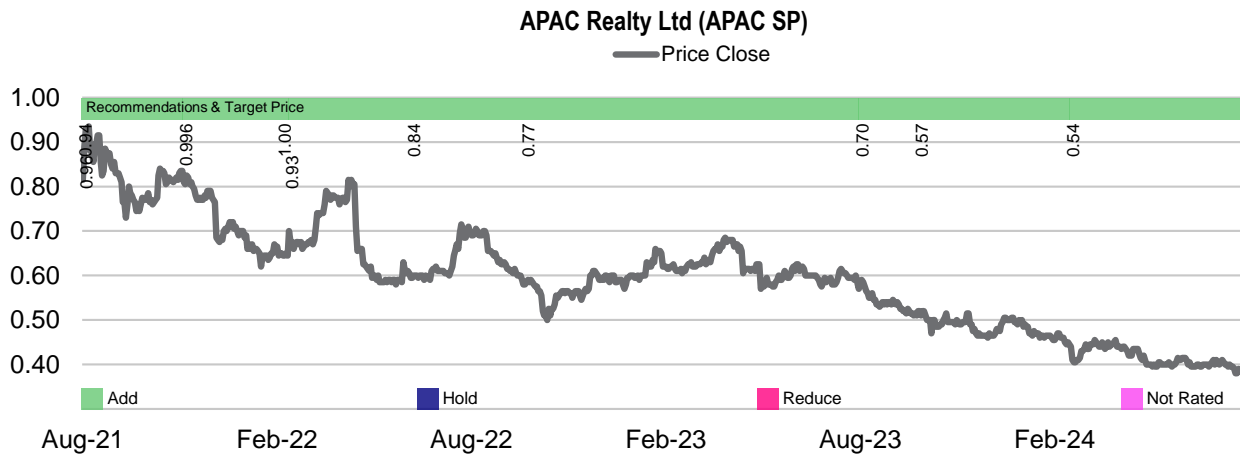
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2024		
588 companies under coverage for quarter ended on 30 June 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.0%	0.5%
Hold	25.3%	0.5%
Reduce	9.7%	0.3%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

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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- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- 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.

Country Ratings

Definition:

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