

## **PROPNE X POSTS PROFIT AFTER TAX OF S\$2.3 MILLION FOR 1Q 2019**

- *Developer sales rebounded strongly in March; buyers and investors exhibiting more willingness to commit*
- *Increased frequency of consumer seminars due to a significant increase in the number of appointments as marketing agents for new launches*
- *Setting up of Corporate Leasing and Valuation departments*
- *Debt-free and Strong Cash Balance of S\$79.7m*

**Singapore, 14 May 2019** – Singapore-listed PropNex Limited (“**PropNex**”, or the “**Company**”, and together with its subsidiaries, the “**Group**”), Singapore’s largest home-grown real estate agency, posted a net profit after tax (“**NPAT**”) of S\$2.3 million for the three months ended 31 March 2019 (“**1Q 2019**”).

While the Singapore real estate market is still feeling the effects from the interest rate increments and property cooling measures implemented in July 2018, buyers and investors have started regaining confidence in entering the market towards the end of the quarter. Developer sales rebounded strongly in March 2019, on the heels of the Lunar New Year festivities in February. Comparing the developer sales in January and February, buyers and investors are exhibiting more willingness to commit.

As revenue recognition usually happens a few months after the option-to-purchase is issued, in addition to the time lag required to process the various sales-related documents, transactions at the initial launch of recent popular projects such as The Treasure@Tampines and The Florence Residences (both launched in March 2019) are likely to be recognised only from the following quarters.

It was against this backdrop that the Group reported a revenue of S\$74.2 million for 1Q 2019, down 27.8% from the S\$102.7 million recorded in the three months ended 31 March 2018 (“1Q 2018”). This was largely due to the decrease in commission income from project marketing services of approximately S\$22.3 million or 60.6%, from S\$36.7 million in 1Q 2018, compared to S\$14.4 million in 1Q 2019. As mentioned, the commission income from project marketing services decreased as a significant number of option-to-purchase have not been completed as at 31 March 2019. Consequently, gross profit decreased by S\$3.6 million or 33.1%, from S\$10.9 million in 1Q 2018 to S\$7.3 million in 1Q 2019.

**Mr. Ismail Gafoor, co-founder, Executive Chairman and CEO of PropNex**, said, “The first quarter is traditionally a subdued period for us, as new launches and buying activity tend to taper off during the Lunar New Year period. The reduced number of new launches in the first two months of the year, compounded by the effects of the property cooling measures and increase in interest rates have inevitably impacted our financial performance. In March, however, we observed developer sales rebounding strongly, signifying that buyers and investors are starting to feel more confident in entering the market again with developers continuing to price their developments sensitively. The transactions in March will be recognised in the following quarters.”

#### Financial Highlights of the Group:

S\$'000	1Q 2019	1Q 2018	% Change
Revenue	74,210	102,749	(27.8)
Gross Profit	7,332	10,954	(33.1)
NPAT	2,336	6,998	(66.6)
PATANCI	2,000	6,171	(67.6)
EPS (in cents)	0.54	2.01	(73.1)



The Group's balance sheet remains healthy with cash and cash equivalents of S\$79.7 million as at 31 March 2019 and no gearing. The Group has also consistently generated positive net cash from operating activities for the last four quarters.

### **Maintaining Lead as Singapore's Largest Real Estate Agency**

According to the Council for Estate Agencies, as at 13 May 2019, PropNex is the largest listed real estate agency in Singapore with 7,773 salespersons, an increase of 373 salespersons or 5.0% from 1 January 2019. The progressive growth in salespersons holds testament to the Group's top-notch training and development programmes and strong collaborative culture, which have continuously attracted both new and experienced salespersons.

Being Singapore's largest listed real estate agency enables the Group to leverage economies of scale and achieve a wider outreach across a broad customer base of home-buyers, investors and lessors/lessees.

### **Entrenched Position as Leader in Project Launches**

PropNex has been involved in 14 project launches, of which 5 were takeover projects since January 2019. The Group transacted the most number of units in 7 of these 9 new launches, consistently outperforming other joint marketing agencies.

With the anticipated line-up of another 66 projects with a total of more than 20,000 units to be launched this year, PropNex has been appointed for 46 projects to-date. To fully capitalise on the numerous project launches this year, the Group will continuously conduct consumer seminars to articulate the latest real estate trends and opportunities to potential buyers.

"The consumer seminar is a concept the Group pioneered in 2013, with the aim of engaging and equipping consumers with knowledge of the marketplace to make

informed decisions. We feel extremely encouraged by the response and demand for our consumer seminars, and with the large number of projects that are expected to be launched this year, we have increased the frequency of our consumer seminars to connect with more consumers and empower them to make better decisions on their next home purchase,” said Mr Ismail.

### **New Offering to Cater to HDB Owners**

In line with the Group expansion of its consultancy business, PropNex launched an industry-first service offering in February this year – HDB Auction. HDB Auction allows the buying and selling of resale HDB flats via open public tender, where interested parties can offer and sell to the highest bidder, subject to the reserve price being met. HDB Auction is an alternative for many homeowners in achieving optimal results within a shorter time frame and eliminates long negotiation periods.

This new service caters to the large number of HDB owners in Singapore. There are over 1 million HDB owners in Singapore. Additionally, a total of 30,000 HDB flats are expected to have fulfilled the Minimum Occupation Period (“**MOP**”) in 2019, three times the average amount of units on a yearly basis, for the past ten years, thus substantially increasing the supply of resale HDB units.

### **New Service Offerings - Corporate Leasing and Valuation**

As part of the business strategies, the Group has set up 2 new departments in driving a new stream of revenue for the real estate business. Norris Low, our Director of Corporate Leasing joined us in January 2019 bringing with him more than 20 years of experience in the real estate industry. His team will be serving and managing the corporate clients and owners of multi-national companies and high net-worth individuals.

Joseph Gan, joined the Group as our Director of Valuation in May 2019 and this new team will be focusing on providing and growing the valuation business services to banks, financial institutions, statutory boards, lawyers and private clients.

### **Market Outlook**

Compared to other quarters, the first quarter of the calendar year generally witnesses muted transactional volumes due to the higher number of festive holidays. Developers, too, tend to delay launching projects at the start of the year.

The Group foresees new project launches that are strategically positioned and sensitively priced to remain as a pull-factor for upgraders and investors, a trend that can be expected to carry through, over the course of 2019.

The private secondary market has been affected due to the new cooling measures. According to data from the Urban Redevelopment Authority (“URA”), for 1Q 2019, a total of 1,858 private resale transactions were recorded in the first quarter of 2019. This was a 5.7% decline as compared with the 1,971 private resale transactions recorded in the fourth quarter of 2018, and a 49.3% dip when compared to the 3,666 private resale transactions recorded in 1Q 2018. The Group expects the secondary private property market to pick up momentum towards the second half of 2019, as en bloc owners who have received their sale proceeds are looking for replacement homes that allow for immediate occupation.

On the public housing front, the HDB resale market is reflecting continuous demand and price stabilisation. This can be attributed to the estimated 30,000 HDB flats (comprising HDB and DBSS flats) reaching MOP this year, coupled with the lower number of BTO flats offered this year at an estimated 15,000 units.



“Going forward, we intend to build upon the Company’s solid foundation of its strong brand, talented employees and salesforce, as well as loyal customers. It is upon these strengths that we create a long-term plan that delivers profitable and sustainable growth,” added Mr Ismail.

### **About PropNex Limited**

PropNex Limited is Singapore’s largest listed group with over 7,700 sales professionals. As an integrated real estate services group, PropNex’s key business segments include real estate brokerage, training, property management and real estate consultancy.

The Group has an established presence in Singapore’s residential market, even as it continues to expand its suite of real estate services in Singapore and grow operations regionally. PropNex already has presence in Indonesia, Malaysia and Vietnam.

With a strong commitment to service excellence and quality, PropNex is the proud recipient of numerous accolades and is a recognized leader in real estate agency services.

For more information, please visit [www.propnex.com](http://www.propnex.com)

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