

Singapore

ADD (no change)

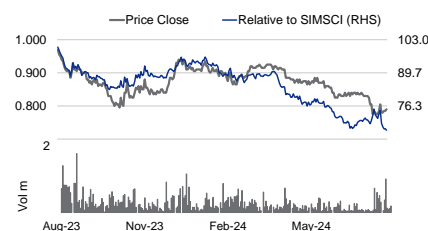
Consensus ratings*: Buy 3 Hold 2 Sell 0

Current price:	S\$0.79
Target price:	S\$0.94
Previous target:	S\$1.04
Up/downside:	19.0%
CGSI / Consensus:	-1.1%
Reuters:	PROP.SI
Bloomberg:	PROP SP
Market cap:	US\$447.2m
	S\$584.6m
Average daily turnover:	US\$0.10m
	S\$0.14m
Current shares o/s:	740.0m
Free float:	17.4%

*Source: Bloomberg

Key changes in this note

- FY24F EPS decreased by 13.8%.
- FY25F EPS decreased by 7.9%.
- FY26F EPS decreased by 8.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.4	-9.7	-19
Relative (%)	-4.5	-11.8	-33.3

Major shareholders	% held
P&N Holdings	64.8
Ismail Mohamed	9.2
Kelvin Fong	8.6

Analyst(s)



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Propnex Ltd

Slow start to the year

- 1H24 EPS of 2.57 Scts below expectations, at 36.7% of our FY24F forecast.
- Lower project marketing revenue was partly offset by higher HDB and private resale commissions in 1H24.
- Maintain Add, with a lower TP of S\$0.94 as we cut our EPS forecasts.

1HFY24 results highlights

Propnex (PROP) reported a 5.1% yoy drop in 1H24 revenue to S\$345.6m, mainly dragged down by lower project marketing revenue and reduced revenue from lower landed residential, commercial & industrial and rental commissions, but partly offset by higher HDB and private resale commissions. 1H24 GP margin was largely stable yoy at 9.7%. 1H24 PATMI and EPS declined 13.8% yoy to S\$19m and 2.57 Scts respectively. PROP proposed an interim DPS of 2.25 Scts, representing an 87.6% payout ratio.

Project marketing revenue dragged down by fewer launches

1H24 revenue from project marketing fell 27% yoy to S\$91.3m due to fewer project launches in the period. According to management, a total of 1,889 new homes was transacted industry-wide in 1H24, down 44.2% yoy but the impact of this overall volume decline on PROP was partly mitigated by PROP's gain of 7.6% pts in market share to 55.5% for new home sales segment. Although management expects sequentially stronger new home sales volumes in 2H24F, we anticipate full-year FY24F sales volumes to still be lower yoy, at 5,500-6000 units. PROP's sales force count stood at 12,700 as at Aug 2024, or 5.8% higher vs. Jan 2024. This, together with its growing market share, should enable PROP to continue growing its commission revenue from project marketing, in our view.

Higher agency services commissions in 1H24

PROP reported 9.8% and 8.9% yoy increases in 1H24 commission revenue from private and HDB resale segments, to S\$79.4m and S\$64.8m, respectively, supported by higher resale transactions in the private (+16% yoy to 6,491 units) and HDB (+6.9% yoy to 14,420 flats) markets. PROP's share of the private resale market was 60.1% in 1H24, while its proportion of the HDB resale segment grew to 66.5%, according to management. The government's announcement of a reduction in the loan-to-value for HDB housing loans to 75% effective 20 Aug 2024 may dampen buying sentiment over the next 6-12 months, in our view, as potential buyers reevaluate their decisions due to the higher quantum of downpayment required, particularly for larger HDB flats.

Reiterate Add rating

We cut FY24-25F EPS by 7.9-13.8% to reflect lower new home sales volume transaction assumptions. Our TP falls to S\$0.94, still based on the average of net cash-adjusted FY24F P/E of 10x and 5-year DCF valuation. PROP trades at a cash-adjusted FY24F P/E of 10.7x. We like PROP as a leader in the property brokerage business in Singapore and its strong cash balance of S\$116.4m as at end-1H24 that will likely underpin its high dividend payout ratio (87.6% as at 1H24). Potential re-rating catalysts: stronger-than-projected residential market performance, and further expansion of its market share across all property transaction segments. Downside risks: weaker macroeconomic outlook and surge in mortgage rates that could dampen demand for housing purchases and affect its earnings.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues (S\$m)	1,029	838	791	816	874
Operating EBITDA (S\$m)	78.43	55.92	48.87	56.98	60.60
Net Profit (S\$m)	61.84	47.81	43.54	50.02	52.92
Normalised EPS (S\$)	0.084	0.065	0.059	0.068	0.072
Normalised EPS Growth	3.8%	(22.7%)	(8.9%)	14.9%	5.8%
FD Normalised P/E (x)	9.45	12.23	13.43	11.69	11.05
DPS (S\$)	0.068	0.060	0.053	0.061	0.064
Dividend Yield	8.54%	7.59%	6.70%	7.70%	8.15%
EV/EBITDA (x)	5.69	8.09	9.33	7.85	7.23
P/FCFE (x)	12.97	9.58	13.52	11.58	10.47
Net Gearing	(110%)	(106%)	(103%)	(101%)	(101%)
P/BV (x)	4.66	4.67	4.70	4.32	4.04
ROE	52.6%	38.1%	34.9%	38.6%	37.8%
% Change In Normalised EPS Estimates			(13.8%)	(7.9%)	(8.5%)
Normalised EPS/consensus EPS (x)			0.82	0.90	1.28

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$m)	1H		yoy % chg	2H		Prev. FY24F	Comments
	FY24	FY23		FY23	hoh % chg		
Revenue	345.6	364.3	-5.1	473.8	-27.1	806.6	Below. 1HFY24: 42.9% of our FY24F forecasts
Operating costs	(329.5)	(348.9)	-5.6	(445.7)	(26.1)	(750.0)	
EBITDA	16.1	15.3	5.0	28.2	-42.8	56.6	Below. 1HFY24: 28.5% of our FY24F forecasts
EBITDA margin (%)	4.7%	4.2%		5.9%		7.0%	
Depreciation/Amortisation	(1.5)	(1.8)	-15.8	(1.7)	-13.2	-3.5	
EBIT	14.6	13.6	7.8	26.4	(44.7)	53.1	
Interest expense	(0.0)	(0.0)	(27.8)	(0.0)	(27.8)	0.0	
Interest & invnt inc	8.3	6.6	24.7	5.7	43.6	10.1	
Associates' contribution	0.0	0.0	n.m.	-	n.m.	0.0	
Exceptionals	0.6	7.3	0.0	(0.5)	0.0	0.0	
Pretax profit	23.5	27.5	-14.6	31.7	-25.9	63.2	
Tax	(4.0)	(4.5)	-11.6	(5.3)	(25.1)	(10.7)	
Tax rate (%)	17.1%	16.5%		16.9%		17.0%	
Minority interests	(0.5)	(0.9)	-48.8	(0.9)	(49.6)	(1.9)	
Net profit	19.0	22.1	-13.8	25.4	(25.2)	50.5	
EPS (Scts)	2.57	2.98	-13.8	3.4	(25.2)	6.83	Below. 1HFY24: 37.6% of our FY24F forecasts
Core profit	19.0	22.1	-13.8	25.4	(25.2)	50.5	Below. 1HFY24: 37.6% of our FY24F forecasts
Core EPS (Scts)	2.57	2.98	-13.8	3.4	(25.2)	6.83	Below. 1HFY24: 37.6% of our FY24F forecasts

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	806.6	870.3	925.3	791.4	793.2	842.7	-1.9%	-8.9%	-8.9%
PATMI	50.5	54.3	57.8	43.5	46.1	48.9	-13.8%	-15.2%	-15.4%
EPS (Scts)	6.83	7.34	7.82	5.88	6.76	7.15	-13.8%	-7.9%	-8.5%

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	0.38	0.45	103	14.3	11.5	9.3	n.a.	n.a.	0.84	0.80	5.3%	6.6%
Capitaland Investment	CLI SP	Add	2.59	4.30	9,897	18.5	13.8	13.1	4.78	-46%	0.93	0.88	4.6%	4.6%
City Developments	CIT SP	Add	5.09	8.97	3,479	13.6	11.0	10.7	16.30	-69%	0.46	0.44	2.4%	2.4%
Frasers Property Limited	FPL SP	Add	0.80	1.41	2,403	11.2	13.2	14.4	2.56	-69%	0.28	0.27	5.6%	5.6%
Propnex Ltd	PROP SP	Add	0.79	0.94	447	13.4	11.7	11.0	n.a.	n.a.	4.70	4.32	6.7%	7.7%
UOL Group	UOL SP	Add	5.25	8.20	3,393	13.4	11.4	11.4	13.66	-62%	0.39	0.39	2.9%	2.9%
Singapore average						17.0	11.9	11.5		-55%	0.41	0.39	4.7%	4.7%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS
Share price as at 20 Aug 2024



ESG in a nutshell

Propnex Ltd (PROP) adopts a top-down approach in the management of sustainability issues material to its business and stakeholders. Its core values include Continuous Self-improvement, Autonomy and Entrepreneurship, Respect and Concern for Individuals, and Ethics, Honesty and Integrity (C.A.R.E.) to ensure the sustainability of its business. The group adopts CARE to empower people, empower society and empower customers. PROP adopted Community Chest as its main charity beneficiary since 2013, with an emphasis on adopting schools and centres that cater to children with special needs and disabilities. It targets to contribute to Community Chest-adopted charity beneficiaries at least S\$1m annually and targets a minimum 1,200 volunteer hours in FY24. PROP aims to reduce its energy use intensity by 10% in the medium term (four to five years) and lower its Scope 2 emission intensity by 5% over the same period. It also aims to have 50% of its office spaces fitted out with energy efficient fixtures and fittings, such as LED lighting, over the medium term. PROP's agent count stood at 12,700 as at Aug 2024, moving towards its 15,000 salesperson target by 2026F.

Keep your eye on

As a people-oriented business, PROP's C.A.R.E. core values should enable it to achieve its vision to become the leader in any market it serves, as well as to enhance customer experience through value-added professional service, in our view.

Implications

Our current valuations have not ascribed a premium/discount for PROP's ESG achievements. As the company continues on its ESG journey, its overall ESG score should continue to improve, in our view.

ESG highlights

Some of PROP's ESG highlights in FY23 include 39 new hires (24.2% annual rate of new employee hires) as part of its move to retain or grow new talent. It has a staff count of 12,700 as at Aug 2024, up 5.8% vs. Jan 2024. To empower its customers, it held 93 consumer empowerment seminars/webinars. On the Environmental front, it lowered energy use intensity by 2.6% yoy in FY23 and reduced emission intensity by 1.9% yoy. PROP's staff underwent an average of 17.1 training hours in FY23. During the year, PROP made S\$1.032m in charitable contributions to Community Chest in Singapore and increased volunteer hours to 2,763 hours.

Implications

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

Trends

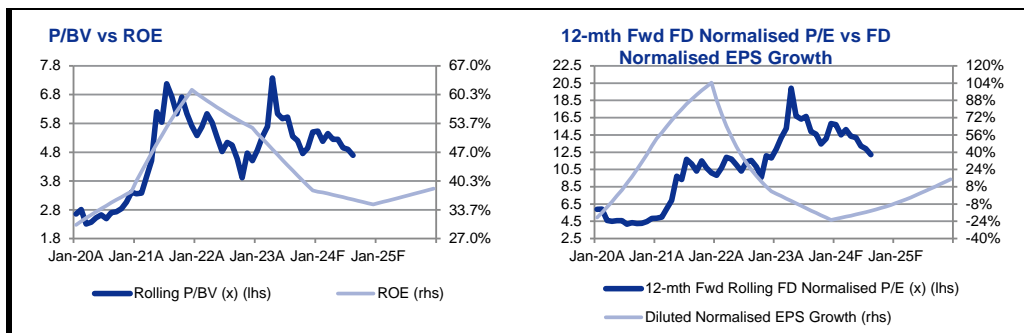
In addition to environmental improvements, the group also has not had any non-compliant incidents with relevant laws and regulations. There has also been no letter of complaints against the group from the Personal Data Protection Commission concerning breaches of customer privacy and loss of customer data, according to its FY23 annual report.

Implications

We have not applied any premium/discount for ESG in our fundamental valuations of PROP. However, as the group continues to build on its ESG efforts, we believe these could lead to improved operational efficiencies and financial performance.

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	1,029	838	791	816	874
Gross Profit	105	81	81	90	95
Operating EBITDA	78	56	49	57	61
Depreciation And Amortisation	(1)	(1)	(1)	(1)	(1)
Operating EBIT	77	55	48	56	60
Financial Income/(Expense)	1	4	6	6	6
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	79	59	54	63	66
Exceptional Items					
Pre-tax Profit	79	59	54	63	66
Taxation	(14)	(10)	(9)	(11)	(11)
Exceptional Income - post-tax					
Profit After Tax	65	50	45	52	55
Minority Interests	(3)	(2)	(2)	(2)	(2)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	62	48	44	50	53
Normalised Net Profit	65	50	45	52	55
Fully Diluted Normalised Profit	62	48	44	50	53

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	78.43	55.92	48.87	56.98	60.60
Cash Flow from Invnt. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(17.24)	14.03	(2.06)	(1.23)	1.09
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1.31	1.19	1.19	0.90	0.89
Other Operating Cashflow	(0.82)	(4.17)	(6.45)	(6.45)	(6.45)
Net Interest (Paid)/Received	1.15	4.45	6.45	6.45	6.45
Tax Paid	(13.39)	(13.56)	(9.25)	(10.63)	(11.25)
Cashflow From Operations	49.45	57.86	38.74	46.02	51.33
Capex	(0.36)	(0.72)	(2.00)	(2.00)	(2.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(5.18)	0.00	0.00	0.00	0.00
Other Investing Cashflow	1.18	3.88	6.49	6.49	6.49
Cash Flow From Investing	(4.37)	3.16	4.49	4.49	4.49
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(51.46)	(49.79)	(46.40)	(41.18)	(47.02)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(51.46)	(49.79)	(46.40)	(41.18)	(47.02)

SOURCES: CGSI RESEARCH ESTIMATES, 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	138.9	133.4	129.4	137.8	146.7
Properties Under Development					
Total Debtors	223.4	184.6	174.3	179.7	192.6
Inventories					
Total Other Current Assets	5.7	5.4	5.4	5.4	5.4
Total Current Assets	368.0	323.5	309.1	322.9	344.7
Fixed Assets	1.4	1.2	2.3	3.4	4.6
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.6	0.3	0.0	0.0	0.0
Total Other Non-Current Assets	5.4	18.1	18.1	18.1	18.1
Total Non-current Assets	7.4	19.6	20.4	21.5	22.6
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	228.3	200.7	188.3	192.4	206.4
Other Current Liabilities	17.6	15.1	15.1	15.1	15.1
Total Current Liabilities	245.9	215.7	203.4	207.5	221.5
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Provisions	2.9	1.1	1.1	1.1	1.1
Total Liabilities	248.9	216.8	204.5	208.6	222.6
Shareholders' Equity	125.5	125.2	124.3	135.2	144.7
Minority Interests	0.9	1.1	0.7	0.6	0.0
Total Equity	126.5	126.2	125.0	135.8	144.7

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	7.5%	(18.6%)	(5.6%)	3.1%	7.2%
Operating EBITDA Growth	(0.7%)	(28.7%)	(12.6%)	16.6%	6.4%
Operating EBITDA Margin	7.62%	6.67%	6.18%	6.99%	6.93%
Net Cash Per Share (S\$)	0.19	0.18	0.17	0.19	0.20
BVPS (S\$)	0.17	0.17	0.17	0.18	0.20
Gross Interest Cover	2,419	1,529	1,333	1,558	1,659
Effective Tax Rate	17.5%	16.6%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	80.8%	92.9%	90.0%	90.0%	90.0%
Accounts Receivables Days	64.93	88.85	83.01	79.21	77.71
Inventory Days	-	-	-	-	-
Accounts Payables Days	77.5	103.4	100.2	95.7	93.5
ROIC (%)	(245%)	(581%)	(788%)	(1745%)	(6758%)
ROCE (%)	64.6%	46.4%	43.0%	47.6%	46.8%
Return On Average Assets	19.0%	12.6%	11.5%	13.5%	13.6%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Agency services (S\$m)	636.0	591.1	537.4	581.2	615.9
Project marketing services (S\$m)	384.0	242.3	246.5	226.8	250.3

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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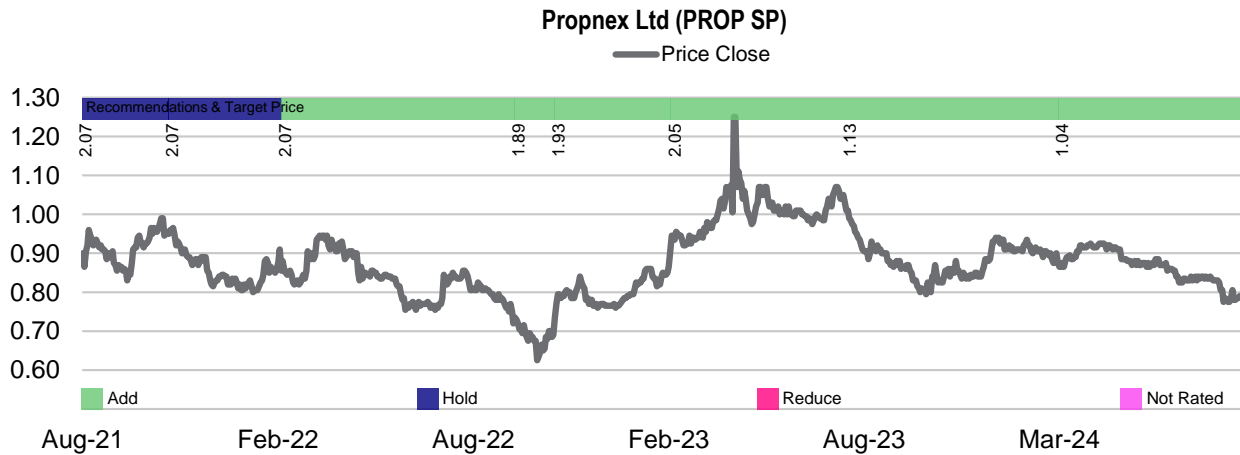
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2024		
588 companies under coverage for quarter ended on 30 June 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.0%	0.5%
Hold	25.3%	0.5%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

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