

# PropNex Ltd

Coping well in a softer year



## SINGAPORE | REAL ESTATE (AGENCIES) | 1Q22 RESULTS

- 1Q22 PATMI and revenue were within expectations at 32%/32% of our FY22e forecast. We expect a deeper decline in earnings in the following quarters.
- Private residential resale and new launch volume declined around 30% YoY in 1Q22. PropNex's 1Q22 results were supported by higher selling prices and recognition of prior quarter transactions.
- We expect a 28% YoY decline in earnings for FY22e. Transaction volumes are expected to remain weak in 2022 after the 16 December cooling measures. The recent ruling to impose ABSD on residential property transfers to a living trust is expected to impact less than 5% of property transactions. Our FY22e PATMI and target price of S\$1.74 are maintained. We keep our NEUTRAL recommendation. Dividends remain attractive at 5% for FY22e well supported by net cash of S\$162mn as at March 2022.

### Results at a glance

SGD mn	1Q22	1Q21	YoY	Comments
Revenue	241.6	220.6	10%	Prior quarter sales and higher prices.
- Agency services	121.1	121.1	0%	
a) Private resale	86.0	70.4	22%	
b) HDB resale	30.4	27.5	11%	
c) Rental	31.0	23.2	34%	
- Project Marketing	93.5	98.3	-5%	Lack of new launches.
Staff costs	(4.8)	(3.8)	26%	
Gross profit	24.1	23.3	4%	Less contribution from private resale.
Operating profit	17.9	19.3	-7%	
PATMI	13.9	14.8	-6%	

Source: Company, PSR

### The Positive

**+ Strong operating cash-flows.** 1Q22 generated free cash flow of S\$22mn (1Q21: 13mn). The strength of PropNex's asset light cash generative business model was again on display.

### The Negative

**- Sluggish new launch revenue.** There were only 172 units launched in 1Q22. The unsold inventory of developers is at decade lows of 14,087 units. An expected 6046 residential units are expected to be launched in 2022.

### Outlook

No change in PropNex transaction volume expectations in 2022. Private resale volumes are expected to decline by 20-25% to 15-16k. New home sales volume to fall 20-30% to 9k-10k. HDB resale to decline around 5-10%. PropNex's revenue should be better due to market share gains, higher transacted prices and maiden en-bloc revenues. The opening of borders has also seen a higher presence of foreign buyers in the residential market. Market share gains will be driven by the continued expansion of the agency force which increased by around 1900 over the past year to 11,268 salespersons.

### Maintain NEUTRAL with an unchanged TP of S\$1.74

We keep our FY22e PATMI unchanged.

13 May 2022

### NEUTRAL (Maintained)

LAST DONE PRICE	SGD 1.670
FORECAST DIV	SGD 0.090
TARGET PRICE	SGD 1.740
TOTAL RETURN	9.6%

### COMPANY DATA

BLOOMBERG CODE:	PROP SP Equity
O/S SHARES (MN):	370.0
MARKET CAP (USD mn / SGD mn):	443 / 618
52 - WK HI/LO (SGD):	2.21 / 1.06
3M Average Daily T/O (mn):	0.3

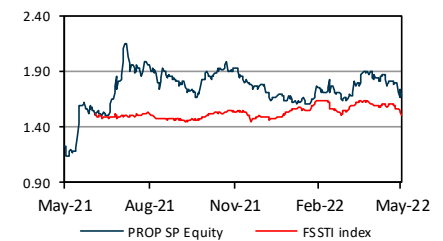
### MAJOR SHAREHOLDERS

P&N HOLDINGS PTE LTD	55.6%
ISMAIL MOHAMED	9.2%
SEONG KELVIN FONG KENG	8.6%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(2.1)	2.9	6.6
STI RETURN	(2.8)	(4.2)	5.3

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec, SGD (mn)	FY20	FY21	FY22e	FY23e
Revenue	513.5	957.5	762.3	776.3
Gross Profit	55.6	101.8	78.5	83.1
Operating Profit	36.0	78.3	55.1	58.7
PATMI	29.1	60.0	43.5	46.9
P/E (x)	21.2	10.3	14.2	13.2
P/B (x)	7.1	5.5	5.2	4.7
EPS (cents)	7.9	16.2	11.8	12.7
DPS (cents)	5.5	12.5	9.0	11.0
Dividend yield (%)	3.3	7.5	5.4	6.6
ROE (%)	33.2	53.3	36.8	35.8

Source: Company, PSR

### Valuation Method

DCF (Cost of equity 10%, Terminal growth 2%)

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## Financials

### Income Statement

SGD mn, Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
Revenue	419.8	513.5	957.5	762.3	776.3
Cost of services	(375.5)	(457.9)	(855.7)	(683.8)	(693.2)
<b>Gross profit</b>	<b>44.3</b>	<b>55.6</b>	<b>101.8</b>	<b>78.5</b>	<b>83.1</b>
Staff costs	(12.8)	(14.1)	(16.8)	(15.0)	(15.5)
Finance and other income	6.9	7.6	7.3	4.7	5.5
Other costs and expenses	(12.8)	(12.4)	(13.6)	(12.4)	(12.8)
<b>Operating profit</b>	<b>24.5</b>	<b>36.0</b>	<b>78.3</b>	<b>55.1</b>	<b>58.7</b>
<b>Profit before tax</b>	<b>25.6</b>	<b>36.6</b>	<b>78.7</b>	<b>55.8</b>	<b>60.2</b>
Tax	(4.5)	(5.9)	(13.5)	(9.5)	(10.2)
PAT	21.1	30.7	65.1	46.3	49.9
Minority Interest	(1.1)	(2.1)	(5.1)	(2.8)	(3.0)
<b>PATMI</b>	<b>20.0</b>	<b>29.1</b>	<b>60.0</b>	<b>43.5</b>	<b>46.9</b>

### Per share data

SGD cents, Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
EPS	5.4	7.9	16.2	11.8	12.7
DPS	3.5	5.5	12.5	9.0	11.0
NAV per share	19.4	23.7	30.4	31.9	35.4

### Cash Flow

SGD mn, Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
<b>CFO</b>					
PAT	21.1	31.2	65.1	46.3	49.9
Adjustments	8.2	10.6	17.3	12.1	13.0
WC changes	5.0	3.3	7.7	(6.0)	(0.3)
Interest and Taxes paid, others	(5.0)	(3.2)	(7.1)	(9.5)	(10.2)
<b>Cashflow from operations</b>	<b>29.3</b>	<b>42.0</b>	<b>83.1</b>	<b>42.9</b>	<b>52.3</b>
<b>CFI</b>					
Acquisition of plant and equipment	(1.9)	(0.5)	(0.5)	(1.0)	(1.0)
Others	0.8	0.7	(0.0)	-	-
<b>Cashflow from investments</b>	<b>(1.0)</b>	<b>0.2</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(1.0)</b>
<b>CFF</b>					
Payment of dividends	(19.6)	(15.4)	(40.4)	(40.7)	(37.0)
Others	(2.7)	(2.6)	(2.3)	(0.5)	(0.5)
<b>Cashflow from financing</b>	<b>(22.4)</b>	<b>(18.0)</b>	<b>(42.7)</b>	<b>(41.2)</b>	<b>(37.5)</b>
<b>Net change in cash</b>	<b>5.9</b>	<b>24.2</b>	<b>39.8</b>	<b>0.7</b>	<b>13.8</b>
<b>CCE, end</b>	<b>81.5</b>	<b>105.7</b>	<b>145.6</b>	<b>146.3</b>	<b>160.2</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

SGD mn, Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
<b>ASSETS</b>					
PP&E	3.5	2.6	2.0	2.4	2.7
Others	5.9	3.7	4.2	2.2	0.2
<b>Total non-current assets</b>	<b>9.4</b>	<b>6.3</b>	<b>6.2</b>	<b>4.5</b>	<b>2.8</b>
Trade & other receivables	63.5	80.6	142.7	114.3	116.4
Cash and cash equivalents	81.6	105.8	145.6	146.4	160.2
<b>Total current assets</b>	<b>145.1</b>	<b>186.4</b>	<b>288.4</b>	<b>260.7</b>	<b>276.7</b>
<b>Total Assets</b>	<b>154.4</b>	<b>192.7</b>	<b>294.6</b>	<b>265.3</b>	<b>279.5</b>
<b>LIABILITIES</b>					
Trade & other payables	71.7	94.3	164.3	129.9	131.7
Current tax liabilities	4.3	7.0	13.5	13.5	13.5
Others	3.5	2.6	2.7	2.2	1.7
<b>Total current liabilities</b>	<b>79.5</b>	<b>103.9</b>	<b>180.5</b>	<b>145.6</b>	<b>146.9</b>
Deferred tax liability	0.2	0.2	0.2	0.2	0.2
Others	2.9	1.0	1.3	1.3	1.3
<b>Total non-current liabilities</b>	<b>3.0</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Total Liabilities</b>	<b>82.5</b>	<b>105.1</b>	<b>182.0</b>	<b>147.1</b>	<b>148.4</b>
<b>EQUITY</b>					
Share capital	57.5	57.5	57.5	57.5	57.5
Merger reserve	(17.7)	(17.7)	(17.7)	(17.7)	(17.7)
Translation reserve	(0.0)	(0.0)	0.0	0.0	0.0
Capital reserve	0.6	0.6	0.6	0.6	0.6
Accumulated profits	28.9	44.1	69.0	71.8	81.7
Non-controlling interests	2.6	3.0	3.1	5.9	8.9
<b>Total Equity</b>	<b>71.9</b>	<b>87.6</b>	<b>112.6</b>	<b>118.2</b>	<b>131.1</b>

### Valuation Ratios

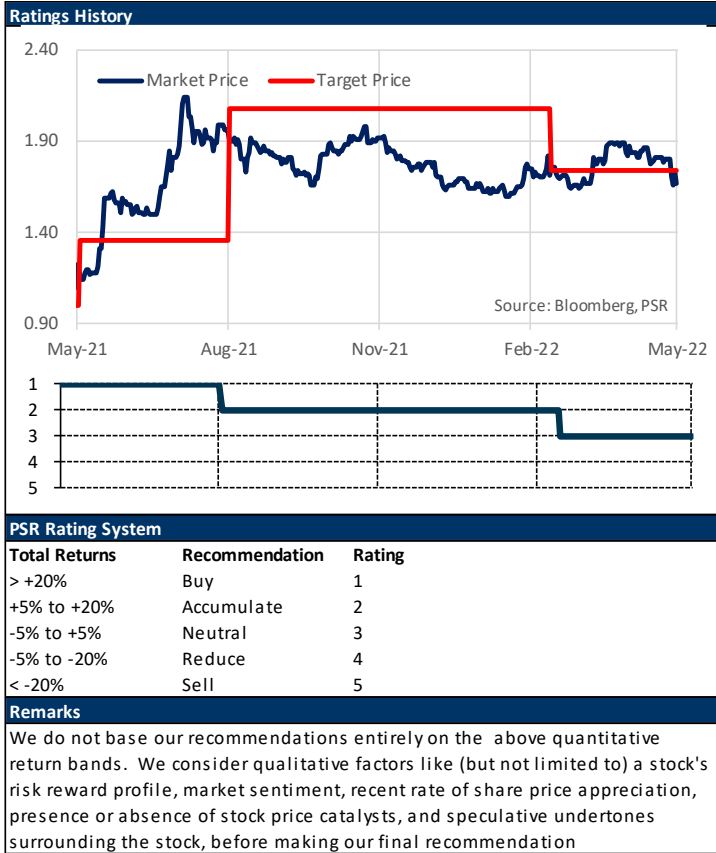
Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (x)	30.8	21.2	10.3	14.2	13.2
P/B (x)	8.6	7.1	5.5	5.2	4.7
Dividend Yield (%)	2.1	3.3	7.5	5.4	6.6

### Growth & Margins

<b>Growth</b>					
Revenue	-2.7%	22.3%	86.5%	-20.4%	1.8%
Gross profit	7.1%	25.4%	83.1%	-22.9%	5.8%
PBT	-3.0%	43.2%	114.8%	-29.1%	7.9%
PAT	3.2%	45.2%	106.4%	-27.5%	7.9%
<b>Margins</b>					
GP margin	10.6%	10.8%	10.6%	10.3%	10.7%
PBT margin	6.1%	7.1%	8.2%	7.3%	7.7%
PAT Margin	4.8%	5.7%	6.3%	5.7%	6.0%

### Key Ratios

ROE (%)	27.9%	33.2%	53.3%	36.8%	35.8%
ROA (%)	13.0%	15.1%	20.4%	16.4%	16.8%
Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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