

COMPANY RESULTS

PropNex (PROP SP)

1H24: A Slower First Half; Expect Some Catching Up In 2H

PropNex's 14% yoy decline in 1H24 PATMI was due to the dearth of new property launches. By our estimates, this will be made up for in 2H24 and 1H25 as a result of the strong pipeline of 16 new launches, amounting to over 6,500 units which is double the number launched in 1H24. Overall transaction volumes as well as prices should remain reasonably firm for the remainder of 2024, in our view. PropNex offers a defensive yield of 6.4% for 2024. Maintain BUY with target price lowered to S\$0.96.

1H24 RESULTS

12M to 31 Dec (S\$m)	1H23	1H24	yoy	Remarks
Revenue	364.3	345.6	-5.1%	- Project marketing revenue fell 20% yoy while landed resale fell 8% yoy
Gross Profit	35.8	33.4	-6.5%	
NPAT	22.9	23.5	2.2%	
PATMI	22.1	19.0	-13.8%	
Gross profit margin	9.8%	9.7%	-0.1ppt	
NPAT margin	6.3%	6.8%	+0.5ppt	
PATMI margin	6.1%	5.5%	-0.6ppt	

Source: PropNex, UOB Kay Hian

RESULTS

- A weaker-than-expected 1H24.** PropNex's reported 1H24 net profit fell short of expectations with PATMI falling 14% yoy to S\$19m and making up only 40% of our full-year estimates. However, we highlight that 2H23 will see a material sequential increase in new launches with over 6,500 units to be launched vs just 2,408 units in 1H24. For 1H24, the lower numbers of new launches resulted in project marketing revenue declining nearly 20% yoy while landed resale fell 7.5% yoy.
- A dividend of S\$0.0225 was declared for 1H24** (payout ratio of 87.6%) vs S\$0.025 (payout ratio of 83.9%) for 1H23. We believe there could be upside to our full-year dividend estimate of S\$0.05 given that this only represents a 70% payout.
- Other resale segments saw growth.** The highlights of the results were the HDB resale and private resale segments which saw a 9% and 10% yoy increase in revenue respectively. Management attributed the strength in the HDB segment to supply chain-related delays for public housing, which resulted in buyers turning to the resale market instead. The private resale segment was pretty much the same story, with the dearth of new launches in 1H24 resulting in buyers turning to the resale market.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,029	838	839	873	888
EBITDA	81	52	55	62	66
Operating profit	77	48	52	58	62
Net profit (rep./act.)	62	48	47	50	53
Net profit (adj.)	62	48	47	50	53
EPS (S\$ cent)	16.9	6.5	6.4	6.8	7.2
PE (x)	4.7	12.2	12.3	11.6	10.9
P/B (x)	2.3	4.6	4.2	3.8	3.4
EV/EBITDA (x)	5.5	8.6	8.0	7.1	6.7
Dividend yield (%)	10.2	7.6	6.4	6.4	7.6
Net margin (%)	6.1	5.7	5.6	5.7	6.0
Net debt/(cash) to equity (%)	(110.6)	(106.6)	(101.1)	(106.6)	(100.8)
ROE (%)	53.1	38.1	35.8	34.0	32.8
Consensus net profit	-	-	52	54	54
UOBKH/Consensus (x)	-	-	0.90	0.92	0.99

Source: PropNex, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.785
Target Price	S\$0.96
Upside	+22.1%
(Previous TP)	S\$1.04

COMPANY DESCRIPTION

Singapore's largest real estate agency with a dominant market share of the residential primary private and HDB resale market.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	PROP SP
Shares issued (m):	740.0
Market cap (S\$m):	580.9
Market cap (US\$m):	443.3
3-mth avg daily t'over (US\$m):	0.1

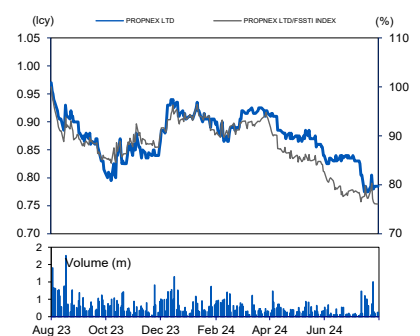
Price Performance (%)

52-week high/low	S\$1.25/S\$0.625			
1mth	3mth	6mth	1yr	YTD
(6.0)	(9.8)	(13.3)	(19.5)	(15.6)

Major Shareholders

	%
P&N Holdings	55.6
Fong Kelvin	8.9
Ismail Mohamed	9.3
FY23 NAV/Share (S\$)	0.19
FY23 Net Cash/Share (S\$)	0.19

PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Despite the significant number of new launches in 2H24, the full year looks likely to be weaker on a yoy basis.** PropNex expects private new sale volumes to end 2024 at 5,500-6,000 units, representing a decline of 7-14% yoy. Somewhat offsetting this weaker volume is the company's market share which has remained high at 56% for new launches in 1H24, and a forecast 4.5% yoy growth for the private residential price index.
- **Demand strength seen for private resale...** PropNex highlighted that unsold inventory continues to increase and rose above 20,000 units as at end-2Q24, which the company sees as a positive development given that the lower numbers of new launches has made resale properties more sought after. In 2Q24, private resale made up over 77% of overall private residential transactions and the highest proportion on record on a quarterly basis. Of note is the company's forecast for 13,000-14,000 units to be transacted in 2024, representing a 15-24% yoy increase vs 11,329 in 2023.
- **...as well as for HDB resale volumes.** During the results briefing, management pointed out that volumes transacted in the HDB market have also been resilient, up 4% qoq in 2Q24. Importantly, this is supported by a steady number of flats that will reach the end of their minimum occupation period (see chart on the RHS) and thus homeowners wanting to upgrade could add further demand to the private resale sector. PropNex forecasts an increase of 5-9% in terms of HDB resale volumes with prices likely to remain firm.
- **Robust balance sheet with a net cash position.** After an outflow of nearly S\$27m in 1H24 to pay for the 2023 final dividend, PropNex has maintained a healthy net cash position of S\$116m vs S\$133m at end-23, representing one-fifth of the company's market capitalisation.

### EARNINGS REVISION/RISK

- **Lowering estimates.** We have downgraded our earnings estimates by 15% for 2024 on the back of lower-than-expected new launches and private resale transactions. However we have left our 2025 numbers relatively unchanged as the strong pipeline of new launches in 2H24 will only show through in 1H25 due to the timing of revenue recognition.

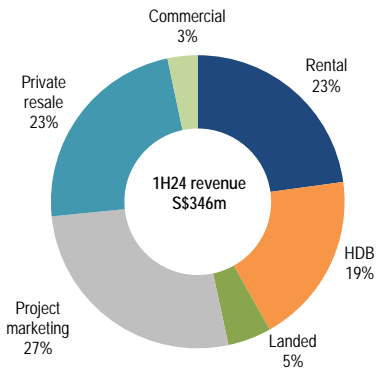
### VALUATION/RECOMMENDATION

- **We maintain our BUY rating on PropNex with a lower target price of S\$0.96 (previously S\$1.04)** as we have rolled over our valuation year to 2025 and incorporated minor earnings changes as well. Our target PE multiple of 12.1x is in line with the company's average since 2021. Given the company's net cash position of S\$116m as at end-1H24, we note that PropNex's ex-cash PE is only 9.8x, with a yield of 6.4% for 2024. During 1H24 and in line with the lower number of new launches, the company generated nearly S\$11m in free cash flow vs S\$32m in 1H23.

### SHARE PRICE CATALYST

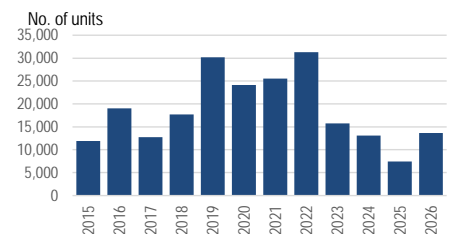
- Strong sell-through of new property launches in 2H24.
- Higher-than-expected price increments for private residential and HDB resale flats.
- Higher-than-expected final dividend for 2024, which will indicate the company's willingness to return cash to shareholders.

### 1H24 REVENUE BY SEGMENT



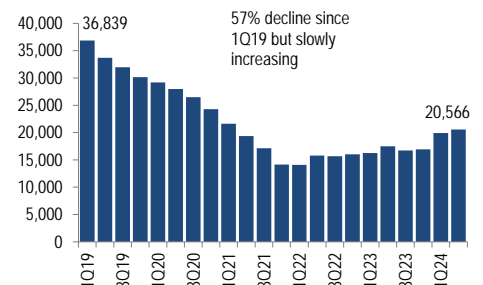
Source: PropNex

### NO. OF HDB FLATS REACHING MINIMUM OCCUPATION PERIOD



Source: HDB, PropNex

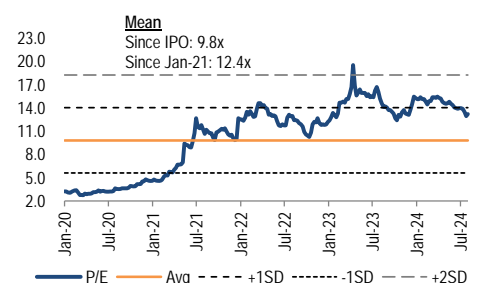
### UNSOLD PRIVATE HOMES IN THE PIPELINE



Note: Excludes Executive Condominiums

Source: PropNex, URA

### PE CHART SINCE 2019



Source: PropNex

### CHANGES TO EARNINGS FORECASTS

S\$m	2024E	2025E	2026E
NPAT - was	55.7	50.1	57.0
NPAT - is	47.3	50.0	53.2
Change	-15.0%	-0.3%	-6.7%

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	838	839	873	888
EBITDA	52	55	62	66
Deprec. & amort.	3	4	4	4
EBIT	48	52	58	62
Total other non-operating income	7	1	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	4	4	5	5
<b>Pre-tax profit</b>	<b>59</b>	<b>57</b>	<b>63</b>	<b>67</b>
Tax	(10)	(9)	(9)	(10)
Minorities	(2)	(1)	(4)	(4)
<b>Net profit</b>	<b>48</b>	<b>47</b>	<b>50</b>	<b>53</b>
Net profit (adj.)	48	47	50	53

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>58</b>	<b>57</b>	<b>63</b>	<b>49</b>
Pre-tax profit	59	57	63	67
Tax	10	(9)	(9)	(10)
Deprec. & amort.	3	4	4	4
Associates	0	0	0	0
Working capital changes	14	1	0	(17)
Non-cash items	(5)	4	5	5
Other operating cashflows	(24)	0	0	0
<b>Investing</b>	<b>(12)</b>	<b>(5)</b>	<b>(6)</b>	<b>(6)</b>
Capex (growth)	(1)	(1)	(1)	(1)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(11)	(4)	(5)	(5)
<b>Financing</b>	<b>(52)</b>	<b>(44)</b>	<b>(33)</b>	<b>(35)</b>
Dividend payments	(50)	(44)	(33)	(35)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(2)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(5)</b>	<b>7</b>	<b>24</b>	<b>8</b>
Beginning cash & cash equivalent	139	133	141	165
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>133</b>	<b>141</b>	<b>165</b>	<b>173</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	1	1	1	1
Other LT assets	18	0	0	0
Cash/ST investment	133	141	165	173
Other current assets	190	204	207	224
<b>Total assets</b>	<b>343</b>	<b>346</b>	<b>373</b>	<b>398</b>
ST debt	0	0	0	1
Other current liabilities	216	205	213	217
LT debt	0	0	0	0
Other LT liabilities	1	0	0	0
Shareholders' equity	125	139	154	170
Minority interest	1	2	6	10
<b>Total liabilities &amp; equity</b>	<b>343</b>	<b>346</b>	<b>373</b>	<b>398</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	6.2	6.6	7.1	7.4
Pre-tax margin	7.1	6.8	7.2	7.6
Net margin	5.7	5.6	5.7	6.0
ROA	13.3	13.7	13.9	13.8
ROE	38.1	35.8	34.0	32.8
<b>Growth</b>				
Turnover	(18.6)	0.2	4.1	1.7
EBITDA	(36.2)	6.7	12.1	6.4
Pre-tax profit	(24.8)	(4.4)	11.2	6.5
Net profit	(23.3)	(1.0)	5.6	6.5
Net profit (adj.)	(23.3)	(1.0)	5.6	6.5
EPS	(61.7)	(1.0)	5.6	6.5
<b>Leverage</b>				
Debt to total capital	0.0	0.0	0.0	0.6
Debt to equity	0.0	0.0	0.0	0.6
Net debt/(cash) to equity	(106.6)	(101.1)	(106.6)	(100.8)

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