

COMPANY UPDATE

PropNex (PROP SP)

Solid Outlook For The Next 12-18 Months

PropNex's outlook for the next 12-18 months appears solid with stable to higher transaction volumes in the private and HDB markets while the number of new launch units is expected to increase meaningfully based on property developers' timelines. We note that a number of new launch projects after the US Fed rate cut in September has seen very strong sell through. PropNex offers a defensive yield of 6.4% for 2024. Maintain BUY with target price raised to S\$0.98.

WHAT'S NEW

- Better sales numbers for 2H24 which will positively affect 1H25.** At a recent institutional investor call with PropNex, management highlighted that by end-24, over 4,600 new units will have been launched for sale in 2H compared with just under 2,000 units in 1H24. While the 2H number is a decline from the prior management's expectation of over 6,500 units, the sequential increase nevertheless bodes well for the company's profits in 1H25 given the 3-6 month delay in revenue recognition for these new launches.
- Strong market share at new launches thus far.** For new launches, PropNex highlighted that it continues to achieve 60-70% market share with examples that it provided being The Landmark, Hillock Green, The Botany, Hillhaven and Pinetree Hill.
- Encouraging impact from US Fed rate cut in September.** The company saw a positive impact on property transaction volumes on the back of the US Fed's 50bp interest rate cut in mid-September. For example, UOL's Pinetree Hill had sold <50% of its 520 units as at the end of August; however, by end-October this had risen to >70%. In Sep 24 alone, the company had a 76% market share of this project which was 5x higher than its closest competitor. PropNex commented that sentiment on Singapore property has improved because of the rate cuts.
- Slightly stronger expectations for HDB segment.** It appears that the long waiting periods for Build-To-Order (BTO) public housing, and thus the inability of the authorities to adequately match supply to demand in the HDB segment, has led to buyers opting for resale units instead. As a result, we note that PropNex has marginally increased its price and volume growth expectations for 2024 with HDB prices estimated to grow 8-9% yoy (previously 7-8%) while resale volumes will increase to 29,000-30,000 (previously 28,000-29,000) from 26,735 in 2023.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,029	838	845	895	911
EBITDA	81	52	56	64	68
Operating profit	77	48	52	60	64
Net profit (rep./act.)	62	48	48	52	55
Net profit (adj.)	62	48	48	52	55
EPS (S\$ cent)	16.9	6.5	6.5	7.0	7.4
PE (x)	4.8	12.6	12.6	11.7	11.0
P/B (x)	2.4	4.8	4.5	4.2	3.9
EV/EBITDA (x)	5.7	9.0	8.3	7.2	6.8
Dividend yield (%)	9.8	7.4	7.4	7.4	7.4
Net margin (%)	6.1	5.7	5.7	5.8	6.0
Net debt/(cash) to equity (%)	(110.6)	(106.6)	(105.1)	(111.7)	(105.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	53.1	38.1	36.8	36.9	36.3
Consensus net profit (S\$m)	-	-	47	50	53
UOBKH/Consensus (x)	-	-	1.02	1.03	1.03

Source: PropNex, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.815
Target Price	S\$0.98
Upside	+20.2%
(Previous TP)	S\$0.96

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):	603.1
Market cap (US\$m):	457.5
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

52-week high/low S\$0.975/S\$0.755

1mth	3mth	6mth	1yr	YTD
3.8	1.2	(7.9)	(3.0)	(12.4)

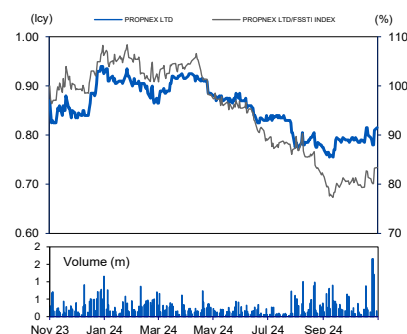
Major Shareholders

	%
P&N Holdings	55.6
Fong Kelvin	8.9
Ismail Mohamed	9.3

FY23 NAV/Share (S\$) 0.18

FY23 Net Cash/Share (S\$) 0.19

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Robust number of projects lined up for 2025.** The company's own analysis indicates that there are 34 new projects totalling 14,694 units slated for launch in 2025. This is more than double the number of units launched in 2024 and should have a positive impact on PropNex's bottom line into at least 1Q26 given the timing of revenue recognition. The key risk here is regulatory in nature with showflats unable to be opened to the public unless various approvals are obtained. We understand that such regulatory delays in 2H24 led to fewer-than-expected new launches with some of them therefore having to be deferred to 1H25 instead.
- 2024 looks likely to be stable on a yoy basis.** PropNex expects private new sale volumes at 5,000-5,500 units by end-24 due to fewer-than-expected new launches as outlined above (ie a decline of 14-24% yoy). Offsetting this weaker volume is HDB resale volume (expected volume growth of 7-10%) and private resale volume (expected volume growth of 15-24%), both of which are assisted by the company's healthy market share which remained high at 48-67% depending on market segment.
- Strong balance sheet with a net cash position.** After an outflow of nearly S\$27m in 1H24 to pay for the 2023 final dividend, PropNex maintained a healthy net cash position of S\$116m as at end-1H24 vs S\$133m at end-23, representing one-fifth of the company's market capitalisation.

EARNINGS REVISION/RISK

- Raising estimates.** We raised our earnings estimates for 2024-26 by 1-3% on the back of: a) strong uptake of new launches in 2H24 which would have a minor impact to 2H24 earnings but a much larger impact in 1H25 due to delayed revenue recognition, and b) slightly higher transaction numbers expected for the HDB resale segment. We highlight that City Development's recent Norwood Grand launch sold 84% of the project on the opening weekend while previews of both Chuan Park and Emerald of Katong saw very significant levels of interest from the buying public.

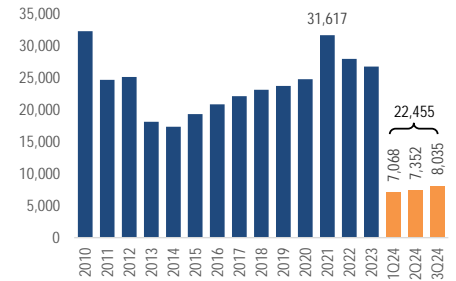
VALUATION/RECOMMENDATION

- We maintain our BUY rating on PropNex with a slightly higher target price of S\$0.98** (previously S\$0.96) due to our EPS upgrade. Our target PE multiple of 12.0x is in line with the company's average since 2021 and is pegged to our 2025 EPS estimate. Given the company's net cash position of S\$116m as at end-1H24, we note that PropNex's ex-cash PE is only 9.0x and delivers a yield of 7.4% for 2024.
- High potential for the company to raise dividends at its annual results in 2025.** For 1H24, PropNex declared a dividend of S\$0.0225, representing a payout ratio of 87.6% vs 1H23's dividend of S\$0.025 (payout ratio of 83.9%). In our view, there could be upside to our full-year 2024 dividend estimate of S\$0.05 given that this only represents 70% payout.

SHARE PRICE CATALYST

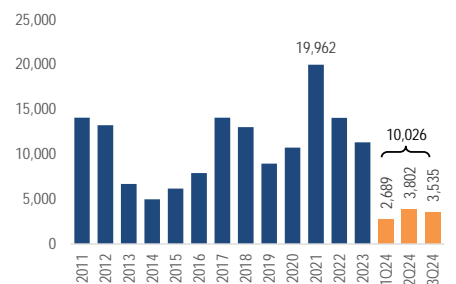
- Strong sell-through of new property launches in 2H24 which would impact 1H25 earnings.
- Higher-than-expected price increments for private residential and HDB resale flats.
- Higher-than-expected final dividend for 2024, indicating the company's willingness to return cash to shareholders.

HDB RESALE FLAT ACTIVITY (NO. OF UNITS)



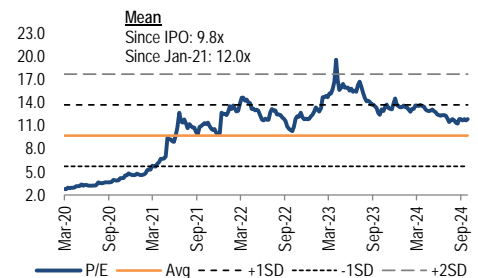
Source: HDB, PropNex

PRIVATE RESALE ACTIVITY (NO. OF UNITS)



Source: Realis, PropNex

PE CHART SINCE 2019



Source: PropNex

CHANGES TO EARNINGS FORECASTS

S\$m	2024E	2025E	2026E
NPAT - was	47.3	50.0	53.2
NPAT - is	47.8	51.6	54.7
Change	1.0%	3.2%	2.7%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	838	845	895	911
EBITDA	52	56	64	68
Deprec. & amort.	3	4	4	4
EBIT	48	52	60	64
Total other non-operating income	7	1	(0)	0
Associate contributions	0	0	0	0
Net interest income/(expense)	4	4	5	5
Pre-tax profit	59	57	65	69
Tax	(10)	(9)	(10)	(10)
Minorities	(2)	(1)	(4)	(4)
Net profit	48	48	52	55
Net profit (adj.)	48	48	52	55

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	58	58	64	50
Pre-tax profit	59	57	65	69
Tax	10	(9)	(10)	(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
Investing	(12)	(5)	(6)	(6)
Capex (growth)	(1)	(1)	(1)	(1)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(11)	(4)	(5)	(5)
Financing	(52)	(44)	(38)	(41)
Dividend payments	(50)	(44)	(38)	(41)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(2)	0	0	0
Others/interest paid	(5)	8	20	3
Net cash inflow (outflow)	139	133	142	162
Beginning cash & cash equivalent	0	0	0	0
Changes due to forex impact	133	142	162	165
Ending cash & cash equivalent	58	58	64	50

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	142	162	165
Other current assets	190	200	206	223
Total assets	343	343	369	389
ST debt	0	0	0	1
Other current liabilities	216	206	218	222
LT debt	0	0	0	0
Other LT liabilities	1	0	0	0
Shareholders' equity	125	135	145	156
Minority interest	1	2	6	10
Total liabilities & equity	343	343	369	389

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	6.2	6.6	7.1	7.5
Pre-tax margin	7.1	6.8	7.3	7.6
Net margin	5.7	5.7	5.8	6.0
ROA	13.3	13.9	14.5	14.4
ROE	38.1	36.8	36.9	36.3
Growth				
Turnover	(18.6)	0.8	6.0	1.7
EBITDA	(36.2)	7.7	14.9	6.0
Pre-tax profit	(24.8)	(3.5)	13.7	6.0
Net profit	(23.3)	(0.0)	7.9	6.0
Net profit (adj.)	(23.3)	(0.0)	7.9	6.0
EPS	(61.7)	(0.0)	7.9	6.0
Leverage				
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)	(105.1)	(111.7)	(105.1)

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