

Singapore

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.605
Target price:	S\$0.708
Previous target:	S\$0.625
Up/downside:	17.1%
CGS-CIMB / Consensus:	5.5%
Reuters:	PROP.SI
Bloomberg:	PROP SP
Market cap:	US\$163.5m
	S\$223.9m
Average daily turnover:	US\$0.11m
	S\$0.15m
Current shares o/s:	370.0m
Free float:	21.8%

*Source: Bloomberg

Key changes in this note

- FY20F EPS increased by 13.0%
- FY21F EPS increased by 16.6%
- FY22F EPS increased by 16.8%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	16.3	18.6	21
Relative (%)	18.1	16.7	38.5

Major shareholders	% held
P&N Holdings	55.6
Ismail Mohamed	8.5
Kelvin Fong	7.6

Analyst(s)

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Propnex Ltd

Gaining market share in 2Q20

- 2Q/1H20 EPS of 1.96/4.01 Scts beat our expectations, at 36.2%/74% of our previous FY20 forecast.
- Income from higher-yielding project marketing services to remain high on the back of increased market share.
- Reiterate Add, with a higher TP of S\$0.708.

2Q20 results highlights

PROP reported a 15% yoy increase in 2Q20 revenue to S\$105.9m. PATMI surged a much higher 96.1% yoy to S\$7.3m (EPS: 1.96 Scts), thanks to 2.1% improvement in gross margin on the back of a greater proportion of income derived from higher-margin project marketing services, and reduced other expenses. For 1H20, the group recorded PATMI of S\$14.8m, up 160% yoy (EPS: 4.01 Scts). PROP proposed an interim dividend of 1.5 Scts, translating to an annualised yield of 2.5%.

Increasing income from higher-yielding project marketing services

PROP saw its commission income from project marketing services jump 148% yoy to S\$49m, which accounted for c.47% of its topline as the group continued to gain market share. This more than offset a 23% yoy decline in agency services on slower private and HDB resale and leasing transactions due to the initial impact of the nation's circuit breaker. According to the Urban Redevelopment Authority (URA), private resale transactions fell 60% yoy in 2Q20. Meanwhile, the Housing Development Board (HDB) reported a 45% yoy decline in HDB resale transactions in 2Q20.

Gaining market share through successful marketing strategies

We anticipate private residential sales volume to contract by c.20% yoy in 2020F to 8,000 units. Meanwhile, PROP's strategy to attract potential buyers with its online webinar trainings and consumer events had enabled it to increase its market share. Management shared that PROP had captured c.53% of the new launch segment from Apr (during the circuit breaker period) to Jul 2020. According to PROP, another 29 new projects are being planned for launch by developers in the coming quarters. Hence, we believe that PROP can continue to maintain its market share. This will likely continue to underpin the group's elevated gross margins in the near term, in our view.

Reiterate Add rating

We raise our FY20-22F EPS by 13-16.8% as we tweak up our market share and gross margin assumptions. Accordingly, our TP increases to S\$0.708, based on an average of 10x FY21F P/E and DCF valuation. PROP's balance sheet remains strong, with a gross cash balance of S\$99.7m as at end-2Q20. Key potential re-rating catalysts for PROP include recovery in the private and public residential markets, and a high conversion ratio of purchase options into confirmed sales. Downside risks: protracted recovery of the property market due to weak macro outlook.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (S\$m)	431.5	419.8	434.0	418.5	432.6
Operating EBITDA (S\$m)	26.39	25.55	29.40	29.12	30.37
Net Profit (S\$m)	19.41	20.01	22.44	22.31	23.34
Normalised EPS (S\$)	0.052	0.054	0.061	0.060	0.063
Normalised EPS Growth	7.9%	3.1%	12.2%	(0.6%)	4.6%
FD Normalised P/E (x)	10.99	11.19	9.97	10.04	9.59
DPS (S\$)	0.035	0.035	0.039	0.040	0.041
Dividend Yield	5.79%	5.79%	6.52%	6.54%	6.84%
EV/EBITDA (x)	5.75	5.67	4.68	4.50	4.04
P/FCFE (x)	9.45	8.71	9.79	9.25	8.67
Net Gearing	(107%)	(114%)	(109%)	(107%)	(105%)
P/BV (x)	3.35	3.23	2.83	2.57	2.34
ROE	45.7%	29.4%	30.3%	26.9%	25.5%
% Change In Normalised EPS Estimates			13.0%	16.6%	16.8%
Normalised EPS/consensus EPS (x)			1.17	1.12	1.17

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$\$m)	2Q		2Q yoy %		2QFY20		2QFY19		yoy %		Prev.	FYE20F Comments
	FY20	FY19	chg	chg	Cum	Cum	chg	chg	chg	chg		
Revenue	105.9	92.1	15.0	-21.9	241.5	166.3	45.2	428.8	Broadly in line. 2Q/1HFY20 at 24.7%/56.3% of our FY20F forecasts			
Operating costs	(97.8)	(88.5)	10.5	(23.0)	(224.5)	(160.9)	39.5	(406.5)				
EBITDA	8.2	3.6	127.7	-6.2	17.1	5.4	216.8	22.3				
EBITDA margin (%)	7.7%	3.9%			7.1%	3.2%		5.2%				
Depreciation/Amortisation	1.0	1.0	0.1	0.0	1.9	1.9	0.9	-3.8				
EBIT	9.1	4.6	100.7	(5.6)	19.0	7.3	160.3	18.5				
Interest expense	(0.0)	(0.0)	(25.0)	(55.6)	0.0	0.0	39.3	0.0				
Interest & invt inc	0.2	0.3	(26.3)	(28.2)	0.3	0.3	(3.8)	7.7				
Associates' contribution	-	0.0	n.m.	n.m.	0.0	0.0	-100.0	0.2				
Exceptionals	-	-	0.0	0.0	0.0	0.0	0.0	0.0				
Pretax profit	9.3	4.9	92.1	-6.1	19.3	7.6	152.9	26.4				
Tax	(1.6)	(0.8)	92.0	(8.1)	(3.3)	(1.3)	163.9	(4.6)				
Tax rate (%)	16.9%	16.9%			17.1%	16.4%		17.4%				
Minority interests	(0.5)	(0.3)	47.6	(23.9)	(1.1)	(0.7)	70.3	(1.7)				
Net profit	7.3	3.7	96.1	(4.1)	14.8	5.7	160.2	20.1				
EPS (Scts)	1.96	1.00	96.1	(4.1)	4.01	1.54	160.2	5.42	Above. 2Q/1HFY20 at 36.2%/74% of our FY20F forecasts			
Core profit	7.3	3.7	96.1	(4.1)	14.8	5.7	160.2	20.1	Above. 2Q/1HFY20 at 36.2%/74% of our FY20F forecasts			
Core EPS (Scts)	1.96	1.00	96.1	(4.1)	4.01	1.54	160.2	5.42	Above. 2Q/1HFY20 at 36.2%/74% of our FY20F forecasts			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions

FYE Dec (\$\$m)	FY20F	Previous FY21F	FY22F	FY20F	New FY21F	FY22F
Gross revenue	428.8	407.7	421.2	434.0	418.5	432.6
PATMI	20.1	19.3	20.2	22.6	22.5	23.6
EPS (Scts)	5.42	5.23	5.46	6.12	6.08	6.37

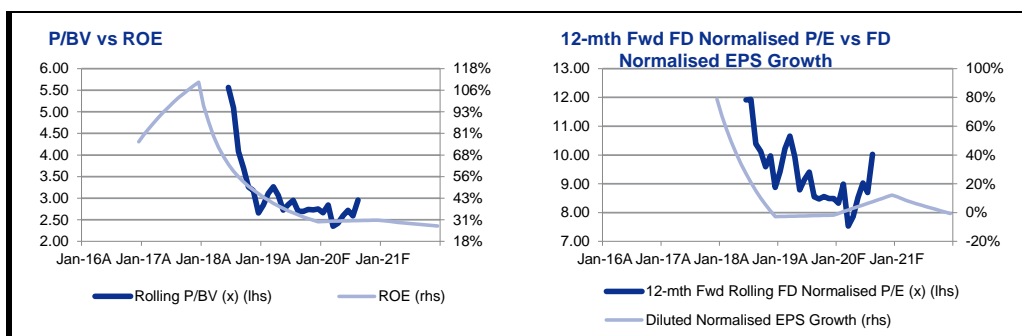
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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 FY21F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY20F	FY21F	FY22F			FY20F	FY21F	FY20F	FY21F
APAC Realty Ltd	APAC SP	Add	0.38	0.54	97	10.0	10.0	8.8	n.a.	n.a.	0.91	0.87	5.3%	5.3%
CapitaLand	CAPL SP	Add	2.80	3.42	10,332	13.2	11.5	10.6	6.22	-55%	0.59	0.58	4.3%	4.3%
City Developments	CIT SP	Add	8.27	10.10	5,477	34.1	18.5	15.3	18.37	-55%	0.65	0.57	1.5%	1.7%
Frasers Property Limited	FPL SP	Add	1.18	1.70	2,522	8.5	8.1	10.7	3.09	-62%	0.38	0.35	5.1%	5.1%
Guocoland	GUOL SP	Add	1.40	1.84	1,210	14.1	11.4	na	3.67	-62%	0.37	0.37	5.0%	5.0%
Ho Bee Land	HOBEE SP	Add	2.12	2.56	1,030	10.9	na	na	5.13	-59%	0.40	na	4.7%	na
Hongkong Land Holdings Ltd	HKL SP	Add	3.74	5.10	8,729	9.9	8.7	8.6	13.50	-72%	0.27	0.25	5.9%	5.9%
Perennial Real Estate Holdings	PREH SP	Add	0.95	0.99	1,147	na	319.5	41.2	1.99	-53%	0.59	0.59	0.2%	0.2%
Propnex Ltd	PROP SP	Add	0.61	0.71	163	10.0	10.0	9.6	n.a.	n.a.	2.83	2.57	6.5%	6.5%
UOL Group	UOL SP	Add	6.54	7.29	4,029	31.1	19.1	19.7	12.15	-46%	0.55	0.54	2.7%	2.7%
Wing Tai Holdings	WINGT SP	Hold	1.66	1.85	932	15.8	11.1	10.4	4.12	-60%	0.35	0.35	3.0%	3.0%
Singapore average						14.3	11.8	11.4		-52%	0.43	0.41	4.0%	4.0%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Share price as at 17 Aug 2020

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	431.5	419.8	434.0	418.5	432.6
Gross Profit	41.4	44.3	48.1	46.9	48.6
Operating EBITDA	26.4	25.5	29.4	29.1	30.4
Depreciation And Amortisation	(0.7)	(1.1)	(1.1)	(1.1)	(1.1)
Operating EBIT	25.6	24.4	28.3	28.0	29.2
Financial Income/(Expense)	0.7	1.1	1.3	1.4	1.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	26.4	25.5	29.6	29.4	30.8
Exceptional Items					
Pre-tax Profit	26.4	25.5	29.6	29.4	30.8
Taxation	(4.4)	(4.5)	(5.2)	(5.2)	(5.4)
Exceptional Income - post-tax					
Profit After Tax	21.9	21.1	24.4	24.2	25.4
Minority Interests	(2.5)	(1.1)	(1.9)	(1.9)	(2.0)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	19.4	20.0	22.4	22.3	23.3
Normalised Net Profit	21.9	21.1	24.4	24.2	25.4
Fully Diluted Normalised Profit	19.4	20.0	22.4	22.3	23.3

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	26.39	25.55	29.40	29.12	30.37
Cash Flow from Invnt. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(0.46)	5.03	(1.79)	(0.31)	0.18
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.81	1.15	1.15	1.15	1.15
Other Operating Cashflow	(0.61)	(1.12)	(1.30)	(1.40)	(1.51)
Net Interest (Paid)/Received	0.73	1.12	1.30	1.40	1.51
Tax Paid	(2.97)	(4.98)	(5.19)	(5.16)	(5.40)
Cashflow From Operations	23.90	26.75	23.57	24.81	26.30
Capex	(1.85)	(1.88)	(2.00)	(2.00)	(2.00)
Disposals Of FAs/subsidiaries	0.01	0.00	0.00	0.00	0.00
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(0.21)	(0.36)	0.00	0.00	0.00
Other Investing Cashflow	0.73	1.20	1.30	1.40	1.51
Cash Flow From Investing	(1.32)	(1.04)	(0.70)	(0.60)	(0.49)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	40.89	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(13.30)	(19.62)	(14.95)	(16.60)	(16.63)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	27.59	(19.62)	(14.95)	(16.60)	(16.63)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	75.7	81.6	88.6	95.3	103.6
Properties Under Development					
Total Debtors	63.5	63.5	57.9	55.8	57.7
Inventories					
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	139.1	145.1	146.5	151.1	161.2
Fixed Assets	2.8	3.5	4.4	5.3	6.1
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.2	0.2	0.1	0.1	0.1
Total Other Non-Current Assets	0.0	5.7	5.7	5.7	5.7
Total Non-current Assets	3.0	9.4	10.2	11.1	11.9
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	65.8	71.7	64.3	61.9	64.0
Other Current Liabilities	5.8	7.8	7.8	7.8	7.8
Total Current Liabilities	71.5	79.5	72.1	69.7	71.8
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	0.2	3.0	3.0	3.0	3.0
Total Liabilities	71.7	82.5	75.2	72.8	74.8
Shareholders' Equity	66.9	69.3	79.0	86.9	95.9
Minority Interests	3.5	2.6	2.5	2.4	2.4
Total Equity	70.4	71.9	81.5	89.4	98.3

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	30.0%	(2.7%)	3.4%	(3.6%)	3.4%
Operating EBITDA Growth	17.6%	(3.2%)	15.1%	(1.0%)	4.3%
Operating EBITDA Margin	6.12%	6.09%	6.77%	6.96%	7.02%
Net Cash Per Share (S\$)	0.20	0.22	0.24	0.26	0.28
BVPS (S\$)	0.18	0.19	0.21	0.23	0.26
Gross Interest Cover	N/A	313.1	N/A	N/A	N/A
Effective Tax Rate	16.8%	17.5%	17.6%	17.6%	17.6%
Net Dividend Payout Ratio	66.7%	64.7%	65.1%	65.6%	65.6%
Accounts Receivables Days	53.45	55.17	51.16	49.57	47.87
Inventory Days	-	-	-	-	-
Accounts Payables Days	62.20	66.80	64.50	62.00	59.86
ROIC (%)	(403%)	(479%)	(424%)	(695%)	(1018%)
ROCE (%)	57.4%	35.2%	37.1%	33.2%	31.8%
Return On Average Assets	18.1%	13.5%	14.8%	14.3%	14.2%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (S\$)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	9.6%	10.6%	11.1%	11.2%	11.2%
Contracted Sales ASP (per Sm) (S\$)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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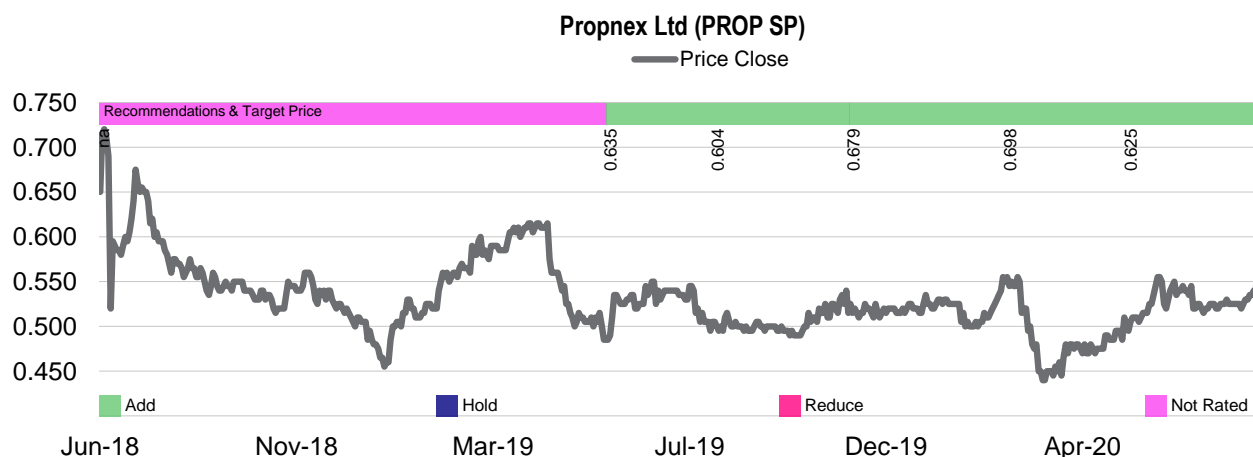
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

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companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- 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.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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