

COMPANY UPDATE

PropNex (PROP SP)

Growth At A Sequentially Strong Pace

PropNex's outlook for 2025 appears solid with higher transaction volumes and higher prices in both private new launch and resale, as well as the HDB market. These factors underpin our 8% yoy earnings growth which we believe could be conservative. PropNex offers a defensive yield of 5.6% for 2025. With 2025 being the company's 25th anniversary, it could look to reward its shareholders with one or more special dividends. Maintain BUY. Target price raised to S\$1.18.

WHAT'S NEW

- **Sequentially strong earnings in 2H24 and into 2026.** We expect new home launches to sequentially increase in 2H24 and into 1H25 thus contributing to better reported earnings for the company in the near to medium term. As seen in the chart overleaf, Singapore saw >100% hoh increase in the number of new units launched in 2H24 with another 76% hoh growth in 1H25. Given the timing of revenue recognition, we expect stronger sequential profits to be reported for 2H24, 1H25 and 2H25.
- **Market share remains high.** We understand that PropNex continues to achieve strong market share numbers of around 50% at new launches in the past few months. In 2H24, the high demand that resulted in balloting for units meant that the company had to depend somewhat on luck. For example, PropNex sold 230 units at Chuan Park (or 46% market share) while at Nava Grove it sold 191 units or 53% market share.
- **Potential special dividend.** In 2025, PropNex celebrates 25 years since its founding in 2000 and thus the company may consider special dividends to reward its shareholders. At end-1H24, PropNex had retained earnings of S\$78m, and net cash of S\$116m plus another S\$18m in long-term deposits. Our forecast 2024 DPS of S\$0.06/share includes S\$0.0225/share paid in 1H24. The company remains debt free and with an estimated S\$142m in net cash at end-24, this translates to around S\$0.10/share.
- **HDB segment remains robust.** 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. Thus, price and volume growth expectations for 2024 remain robust with HDB prices estimated to grow 8-9% yoy while resale volumes are forecast at 29,000-30,000 from 26,735 in 2023 (or 8.5% to 12.2% yoy growth).

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,029	838	845	907	926
EBITDA	81	52	56	66	69
Operating profit	77	48	52	62	66
Net profit (rep./act.)	62	48	48	53	56
Net profit (adj.)	62	48	48	53	56
EPS (S\$ cent)	16.9	6.5	6.5	7.2	7.6
PE (x)	6.3	16.6	16.6	14.9	14.1
P/B (x)	3.2	6.3	5.9	5.4	5.1
EV/EBITDA (x)	8.0	12.6	11.7	9.9	9.4
Dividend yield (%)	7.5	5.6	5.6	5.6	6.5
Net margin (%)	6.1	5.7	5.7	5.9	6.1
Net debt/(cash) to equity (%)	(110.6)	(106.6)	(105.3)	(112.9)	(117.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	53.1	38.1	36.8	38.1	37.3
Consensus net profit (S\$m)	-	-	47	55	60
UOBKH/Consensus (x)	-	-	1.03	0.98	0.94

Source: PropNex, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.07
Target Price	S\$1.18
Upside	+10.3%
(Previous TP)	S\$0.98

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):	791.8
Market cap (US\$m):	582.3
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

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

1mth	3mth	6mth	1yr	YTD
15.1	36.3	28.1	18.2	13.2

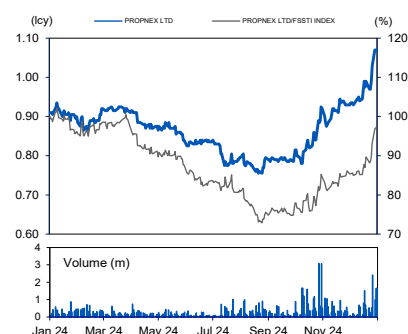
Major Shareholders

	%
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

- **Interest rates becoming less of a deterrent to Singapore homebuyers.** Expectations for interest rate cuts by the US Federal Reserve in 2025 have moderated in the past 12 months, declining from four cuts of 25bp each to two cuts of 25bp each. At the extreme, we note that some economists are even predicting zero cuts should the US economic policy lead to higher inflation in the next few months. However, note that Singapore banks have reduced home loan rates to as low as 2.45% p.a. in the past few months, with the UOB Global Economics and Markets Research team forecasting the Singapore 10-year government bond yield at 2.7% by end-25 vs the US 10-year treasury yield at 4.1%.

EARNINGS REVISION/RISK

- **We have raised earnings estimates for 2025-26** by 2-3% on the back of: a) higher transaction amounts for new launches which has a positive impact on agents' commissions and PropNex's revenue, and b) slightly higher transaction numbers for the HDB resale segment. We highlight that new launches in the past weekend saw strong sell-through at very robust prices, eg The Orié sold 86% of the project on its opening weekend at an average price of S\$2,704psf while Bagnall Haus sold 63% at S\$2,490psf.
- **Key risk in the near term: Cooling measures.** With Singapore's general elections around the corner and considering the strong sell-through of new launches as well as selective HDB resale flats hitting the S\$1.5m mark, the risk of the government implementing new cooling measures has increased in our view. These cooling measures may take the form of higher Seller Stamp Duties (SSD), extending the number of years that the SSD is in effect (eg from the current three years to five years) or tightening the total debt servicing ratio for borrowers.
- **Potential delays in new launches does not affect our positive view.** We highlight that in 2H24, a delay in obtaining various regulatory approvals led to showflats being unable to be opened to the public. Without the showflats, there were lower-than-expected new launches with some of them deferred into 1H25 instead. Given the overall numbers of new units forecast for 2025, the yoy growth should remain resilient.

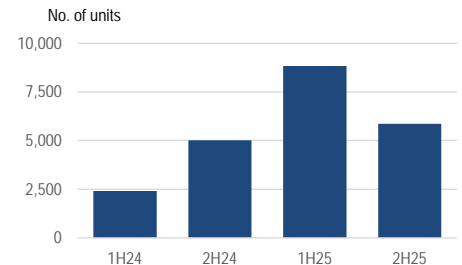
VALUATION/RECOMMENDATION

- **We maintain our BUY rating on PropNex with a higher PE-based target price of S\$1.18 (previously S\$0.98)** due to our EPS upgrade and a higher target PE multiple. We have raised our target PE multiple to 14.6x which is 1SD above the company's average PE since 2021 and pegged it to our 2025 EPS estimate, as well as including our forecast cash balance as at end-25. In our view, the company could trade at higher multiples given its asset-light business model which on our estimate generates an ROE of 37-38% in 2025-26. With minimal capex on an annual basis, we forecast that PropNex will generate S\$60m-65m in free cash flow per year in 2025-26.

SHARE PRICE CATALYST

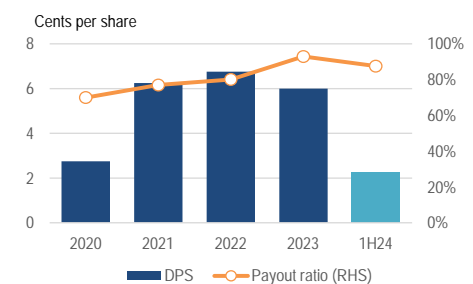
- Continued strong sell-through of new property launches in 1H25 which would impact 2H25 earnings.
- Higher-than-expected price increments for private residential and HDB resale flats.
- Higher-than-expected final dividend for 2024 indicating the company's willingness to return cash to shareholders.

SEQUENTIALLY STRONG LAUNCHES OF NEW UNITS IN SINGAPORE



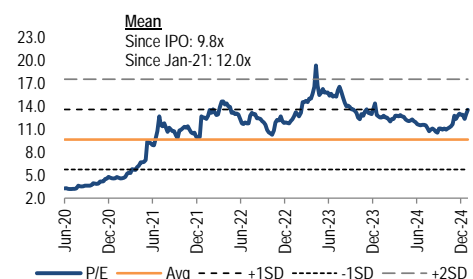
Source: PropNex, UOB Kay Hian

DIVIDEND HISTORY



Source: PropNex, UOB Kay Hian

PE CHART SINCE 2019



Source: PropNex

CHANGES TO EARNINGS FORECASTS

S\$m	2024E	2025E	2026E
NPAT - was	47.8	51.6	54.7
NPAT - is	47.8	53.3	55.8
Change	0.0%	3.3%	2.1%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$Sm)	2023	2024F	2025F	2026F
Net turnover	838	845	907	926
EBITDA	52	56	66	69
Deprec. & amort.	3	4	4	4
EBIT	48	52	62	66
Total other non-operating income	7	1	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	4	4	5	6
Pre-tax profit	59	57	67	71
Tax	(10)	(9)	(10)	(11)
Minorities	(2)	(1)	(4)	(4)
Net profit	48	48	53	56
Net profit (adj.)	48	48	53	56

CASH FLOW

Year to 31 Dec (\$Sm)	2023	2024F	2025F	2026F
Operating	58	58	66	70
Pre-tax profit	59	57	67	71
Tax	10	(9)	(10)	(11)
Deprec. & amort.	3	4	4	4
Associates	0	0	0	0
Working capital changes	14	1	0	1
Non-cash items	(5)	4	5	6
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)	(6)
Financing	(52)	(44)	(38)	(43)
Dividend payments	(50)	(44)	(38)	(43)
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	22	21
Net cash inflow (outflow)	139	133	142	164
Beginning cash & cash equivalent	0	0	0	0
Changes due to forex impact	133	142	164	185
Ending cash & cash equivalent	58	58	66	70

BALANCE SHEET

Year to 31 Dec (\$Sm)	2023	2024F	2025F	2026F
Fixed assets	1	1	1	1
Other LT assets	18	0	0	0
Cash/ST investment	133	142	164	185
Other current assets	190	200	207	207
Total assets	343	343	373	394
ST debt	0	0	0	1
Other current liabilities	216	206	221	226
LT debt	0	0	0	0
Other LT liabilities	1	0	0	0
Shareholders' equity	125	135	145	157
Minority interest	1	2	6	10
Total liabilities & equity	343	343	373	394

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	6.2	6.6	7.3	7.5
Pre-tax margin	7.1	6.8	7.4	7.7
Net margin	5.7	5.7	5.9	6.1
ROA	13.3	13.9	14.9	14.7
ROE	38.1	36.8	38.1	37.3
Growth				
Turnover	(18.6)	0.8	7.3	2.1
EBITDA	(36.2)	7.7	18.6	4.8
Pre-tax profit	(24.8)	(3.5)	17.4	5.6
Net profit	(23.3)	(0.0)	11.5	5.6
Net profit (adj.)	(23.3)	(0.0)	11.5	5.6
EPS	(61.7)	(0.0)	11.5	5.6
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)	(105.3)	(112.9)	(117.7)

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