

### COMPANY RESULTS

#### PropNex (PROP SP)

2023: Weaker-than-expected Results With Dividend The Highlight

PropNex's reported 2023 net profit of S\$48m (-23% yoy) was lower than expected despite better sequential earnings seen in 2H23. The highlight of the result was a generous S\$0.035 final dividend (1H23: S\$0.025), which resulted in a 2023 payout ratio of 93% and implies a yield of 6.9% based on yesterday's closing price. We expect 2024 to be relatively stable albeit at a lower level of profitability compared to its past. **Maintain BUY. Target price lowered to S\$1.04.**

#### 2023 RESULTS

Year to 31 Dec (S\$m)	2022	2023	yoy %	Remarks
Revenue	1,029.2	838.1	-18.6%	- Commission from new launches fell 37% yoy
Gross profit	104.7	81.0	-22.6%	
Operating profit	77.4	48.2	-37.7%	
PATMI	62.4	47.8	-23.4%	- Impacted by high interest rates and cooling measures
Gross profit margin	10.2%	9.7%	-0.5ppt	
Net profit margin	6.1%	5.7%	-0.4ppt	

Source: PropNex, UOB Kay Hian

#### RESULTS

- Worse-than-expected results.** PropNex reported 2023 net profit of S\$47.8m, down 23% yoy and lower than our expectations. While the company had a stronger 2H23 relative to 1H23, the sequential earnings growth of 17% hoh in 2H23 was not enough to offset the impact of lower transaction volumes across the public and private new-sale and resale markets due to high interest rates and property cooling measures. In particular, commission income from agency services declined nearly 8% yoy to S\$591m while commission income from project marketing services fell 37% yoy to S\$242m. In addition, management pointed out that some new launches were delayed into 2024.
- Dividend payout the highlight.** In our view, the highlight of the result was the proposed final dividend of S\$0.035, which resulted in a total DPS of S\$0.06 for the full year. This represents a payout ratio of nearly 93% of net attributable profit, implying a dividend yield of 6.5% based on yesterday's share price. The payout ratio is higher than our expected 75%.
- Elections year in 2024; unlikely to have any tax respite.** With Singapore likely to hold its elections in Sep 24 in our view, we are unlikely to see any tax respite for the property sector this year given that they are largely targeted at the higher end of the property market.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,029	838	864	889	904
EBITDA	81	52	76	69	78
Operating profit	77	48	72	65	74
Net profit (rep./act.)	62	48	56	50	57
Net profit (adj.)	62	48	56	50	57
EPS (S\$ cent)	16.9	6.5	7.5	6.8	7.7
PE (x)	5.2	13.5	11.6	12.9	11.4
P/B (x)	2.6	5.2	4.6	4.1	3.7
EV/EBITDA (x)	6.2	9.7	6.6	7.3	6.4
Dividend yield (%)	9.1	6.9	6.9	5.7	6.9
Net margin (%)	6.1	5.7	6.4	5.6	6.3
Net debt/(cash) to equity (%)	(110.6)	(106.6)	(107.3)	(108.5)	(104.1)
ROE (%)	53.1	38.1	41.7	33.6	34.5
Consensus net profit	-	-	56	58	54
UOBKH/Consensus (x)	-	-	0.99	0.86	1.05

Source: PropNex, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	S\$0.875
Target Price	S\$1.04
Upside	+18.9%
(Previous TP)	S\$1.23)

#### 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):	647.5
Market cap (US\$m):	481.9
3-mth avg daily t'over (US\$m):	0.2

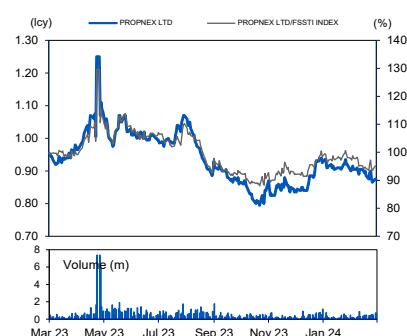
#### Price Performance (%)

52-week high/low	S\$1.25/S\$0.795				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(4.9)	3.6	(1.1)	(6.4)	(5.9)	

#### Major Shareholders

	%
P&N Holdings	55.6
Fong Kelvin	8.6
Ismail Mohamed	9.3
FY24 NAV/Share (S\$)	0.19
FY24 Net Cash/Share (S\$)	0.21

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Adrian Loh**  
+65 6590 6633  
adrianloh@uobkayhian.com

### STOCK IMPACT

- Private resale affected by lower volumes.** Although private residential prices grew 6.8% yoy in 2023, this was slower than the 8.6% and 10.6% seen in 2022 and 2021 respectively. Importantly, private home sales volumes fell 13% yoy to just over 19,000 homes with secondary sales in particular falling nearly 15% yoy. On the positive side, PropNex estimates that in 2024, it will be marketing nearly 16,000 units in Singapore (excluding Executive Condominiums) for 33 projects that it has been appointed as a marketing agent.
- Moderation in strong growth of HDB resale prices, but volumes should hold up.** Although HDB prices rose by a strong 5% yoy in 2023, this was a moderation from the 10.4% and 12.7% seen in 2022 and 2021 respectively. Looking at the trend, it would appear that HDBs remain highly sought after in Singapore, having recovered in a straight line from the trough seen in 2014. PropNex pointed out that sales of million-dollar HDB flats have jumped from 2 to 470 in the past 10 years, and with more than 13,000 HDB flats reaching their Minimum Occupation Period in 2024, this could bump up transaction volumes.
- Has PropNex's earnings peaked?** In our view, its 2022 revenue of slightly over S\$1b appears to be the peak. However, management remains confident and is still positive that it has opportunities to capture more market share in selected segments. While it acknowledges that its HDB market share of 64.7% in 2023 is as high as it can get, management believes that there are further revenue opportunities in revenue gains in new launches (47.9% market share in 2023) and the private leasing market (35.9%), given that in the medium term, the company is targeting to have 15,000 agents under the PropNex banner by 2026.

### EARNINGS REVISION/RISK

- Lowering earnings forecasts.** We lower our earnings forecasts by 19% and 20% for 2024 and 2025 respectively to take into account PropNex's price and volume forecasts for the Singapore market in 2024 (see table below). Note that we have used the lower end of these ranges.

### PROPNE X VIEW ON THE PROPERTY MARKET

Segment	Forecast for 2024	View
Private residential prices	+3% to +4%	Sentiment still fearful due to high interest rates
HDB resale prices	+4% to +5%	Driven by continued lack of supply in BTO segment
Private resale volume	26-27,000 units	
HDB resale volume	13-14,000 units	
Private new sale volume	7-7,500 units	

Source: PropNex

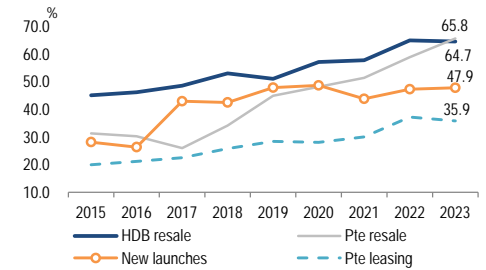
### VALUATION/RECOMMENDATION

- We maintain our BUY rating on PropNex with a lower target price of S\$1.04 (previously S\$1.23).** Given the headwinds this year, we have elected to lower our target PE multiple to 11.1x, which is in line with the company's average PE over the 2021-23 period. Given the company's net cash position of S\$133m as at end-23, we note that PropNex's ex-cash PE is only 10.6x. During 2023, the company generated nearly \$47m in free cash flow, which is similar to that of 2022.

### SHARE PRICE CATALYST

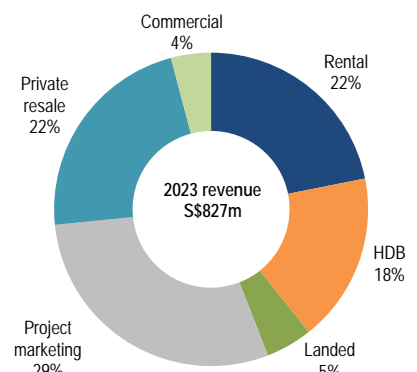
- Strong sell-through of new property launches in 2024.
- Higher-than-expected price increments for private residential and HDB resale flats.
- Higher-than-expected interim dividend for 1H24, which will indicate the company's willingness to return cash to shareholders.

### PROPNE X'S MARKET SHARE: 2015-23



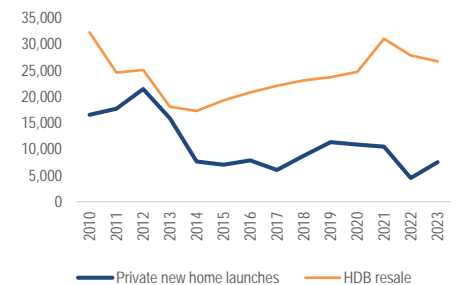
Source: PropNex

### SHARE OF REVENUE BY BUSINESS SEGMENT



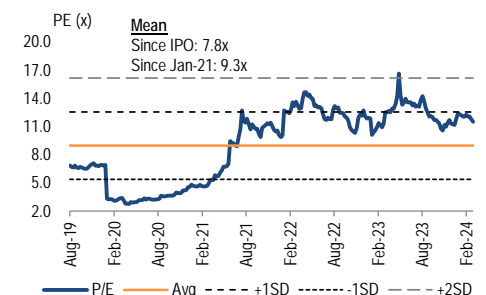
Source: Urban Redevelopment Authority, PropNex

### PRIVATE VS HDB RESALE VOLUME



Source: PropNex

### PE CHART SINCE 2019



Source: PropNex

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	838.1	864.2	889.2	904.1
EBITDA	51.7	75.8	68.7	77.7
Deprec. & amort.	3.5	3.6	3.6	3.7
EBIT	48.2	72.3	65.0	74.0
Total other non-operating income	6.8	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	4.5	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>59.5</b>	<b>72.3</b>	<b>65.0</b>	<b>74.0</b>
Tax	(9.9)	(12.3)	(11.1)	(12.6)
Minorities	(1.8)	(4.3)	(3.9)	(4.4)
<b>Net profit</b>	<b>47.8</b>	<b>55.7</b>	<b>50.1</b>	<b>57.0</b>
Net profit (adj.)	47.8	55.7	50.1	57.0

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>58.3</b>	<b>64.0</b>	<b>57.9</b>	<b>47.8</b>
Pre-tax profit	59.5	72.3	65.0	74.0
Tax	9.9	(12.3)	(11.1)	(12.6)
Deprec. & amort.	3.5	3.6	3.6	3.7
Associates	0.0	0.0	0.0	0.0
Working capital changes	14.0	0.5	0.3	(17.3)
Non-cash items	(5.1)	0.0	0.0	0.0
Other operating cashflows	(23.5)	0.0	0.0	0.0
<b>Investing</b>	<b>(11.6)</b>	<b>(0.9)</b>	<b>(0.8)</b>	<b>(0.9)</b>
Capex (growth)	(0.7)	(0.9)	(0.8)	(0.9)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(10.8)	(0.0)	(0.0)	0.0
<b>Financing</b>	<b>(52.2)</b>	<b>(44.4)</b>	<b>(39.0)</b>	<b>(35.1)</b>
Dividend payments	(49.8)	(44.4)	(39.0)	(35.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(2.4)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>(5.5)</b>	<b>18.7</b>	<b>18.1</b>	<b>11.9</b>
Beginning cash & cash equivalent	138.9	133.4	152.1	170.3
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>133.4</b>	<b>152.1</b>	<b>170.3</b>	<b>182.1</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	1.2	1.3	1.3	1.3
Other LT assets	18.4	0.0	0.0	0.0
Cash/ST investment	133.4	152.1	170.3	182.1
Other current assets	190.1	204.7	211.4	225.6
<b>Total assets</b>	<b>343.1</b>	<b>358.1</b>	<b>383.0</b>	<b>409.1</b>
ST debt	0.0	0.0	0.0	1.0
Other current liabilities	215.7	210.8	216.7	220.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	1.1	0.1	0.1	0.1
Shareholders' equity	125.2	141.9	156.9	174.0
Minority interest	1.1	5.4	9.2	13.6
<b>Total liabilities &amp; equity</b>	<b>343.1</b>	<b>358.1</b>	<b>383.0</b>	<b>409.1</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	6.2	8.8	7.7	8.6
Pre-tax margin	7.1	8.4	7.3	8.2
Net margin	5.7	6.4	5.6	6.3
ROA	13.3	15.9	13.5	14.4
ROE	38.1	41.7	33.6	34.5
<b>Growth</b>				
Turnover	(18.6)	3.1	2.9	1.7
EBITDA	(36.2)	46.6	(9.4)	13.2
Pre-tax profit	(24.8)	21.5	(10.0)	13.8
Net profit	(23.3)	16.5	(10.0)	13.8
Net profit (adj.)	(23.3)	16.5	(10.0)	13.8
EPS	(61.7)	16.5	(10.0)	13.8
<b>Leverage</b>				
Debt to total capital	0.0	0.0	0.0	0.5
Debt to equity	0.0	0.0	0.0	0.6
Net debt/(cash) to equity	(106.6)	(107.3)	(108.5)	(104.1)

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W