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KEY HIGHLIGHTS

Update

Centurion Corp (CENT SP/BUY/\$0.40/Target: \$0.50)

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Outlook undimmed – Strong performance in 3Q23 to extend into 2024 and possibly beyond. With valuation remaining inexpensive, we maintain our BUY rating.

TRADERS' CORNER

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iFAST Corp (IFAST SP): Trading BUY

Keppel Corp (KEP SP): Trading SELL

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	34945.5	(0.1)	3.1	2.8	5.4
S&P 500	4508.2	0.1	3.7	3.1	17.4
FTSE 100	7411.0	(1.0)	(0.6)	(2.9)	(0.5)
AS30	7269.5	(0.6)	0.8	0.3	0.7
CSI 300	3572.4	(1.0)	(1.1)	(1.8)	(7.7)
FSSTI	3133.1	0.0	0.1	(1.2)	(3.6)
HSCEI	6116.7	(1.4)	1.4	0.4	(8.8)
HSI	17832.8	(1.4)	1.8	0.3	(9.9)
JCI	6958.0	(0.0)	1.8	0.3	1.6
KLCI	1464.7	(0.1)	0.5	1.4	(2.1)
KOSPI	2488.2	0.1	2.5	1.1	11.3
Nikkei 225	33424.4	(0.3)	2.4	4.3	28.1
SET	1415.3	0.0	0.7	(1.3)	(15.2)
TWSE	17171.2	0.2	2.5	3.2	21.5
BDI	1758	4.1	10.0	(10.9)	16.0
CPO (RM/mt)	3806	1.9	4.2	4.5	(6.0)
Brent Crude (US\$/bbl)	78	(4.5)	(3.1)	(13.6)	(9.8)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
DBS Group Holdings	32.64	0.7	121.4
United Overseas Bank	27.42	0.4	70.2
Singapore Telecommunications	2.38	0.0	65.5
Oversea-Chinese Banking Corp	12.98	0.8	65.0
Genting Singapore	0.94	(2.1)	50.5

TOP GAINERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Top Glove Corp	0.23	4.7	0.4
Yanlord Land Group	0.62	4.2	0.6
Tianjin Pharmaceutical Da -S	1.85	2.8	0.2
Thomson Medical Group	0.05	1.9	0.1
Singapore Telecommunications	2.40	1.3	0.3

TOP LOSERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Golden Agri-Resources	0.26	(3.7)	4.5
ESR-Logos Reit	0.29	(3.3)	3.9
DFI Retail Group Holdings	2.35	(3.3)	0.9
Yangzijiang Financial Holding	0.32	(3.0)	0.9
Starhill Global REIT	0.48	(3.0)	0.5

*ADT: Average daily turnover

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY UPDATE

Centurion Corp (CENT SP)

Outlook Undimmed – Strong Performance In 3Q23 To Extend Into 2024

Centurion's 3Q23 performance was better than expected, driven by strong rental reversions across workers' and students' accommodations. The macro backdrop of migrant workers returning to Singapore and Malaysia as well as international students heading back to universities in the UK and Australia will continue to play out as supply of assets lags demand. New government regulations for PBWAs may also help rental reversions in the medium term. Maintain BUY. Target price: S\$0.50.

WHAT'S NEW

- **Better-than-expected performance in 3Q23.** Centurion Corp (CENT) reported that its 3Q23 revenue rose 15% yoy (see table overleaf). Importantly, its 9M23 revenue grew 11% yoy, coming in slightly better than expected as it made up 78% of our full-year revenue estimates. We highlight that the company's revenue accelerated in 3Q23 given that 1H23 saw a lower 8% yoy increase. We understand from the company that it has managed to maintain its profit margins at both of its key business segments in 3Q23. Recall that its 1H23 gross margin was 72% (+4.6ppt yoy) while its PATMI margin was 39% (+2.8ppt yoy).
- **Strong rental reversions at CENT's PBWA assets.** The company stated that with its overall purpose-built workers' accommodation (PBWA) occupancy for 3Q23 already at 99% in Singapore, it was positive rental reversions that led to the robust 3Q23 revenue growth of 16% yoy (9M23: +12% yoy). By our estimates, CENT's PBWA assets should continue to see solid revenue growth as its annual leases roll off and new leases are signed at higher rates.
- **Revenue for its PBSA business should accelerate into 4Q23.** While CENT's purpose-built student accommodation (PBSA) business saw a solid 10% yoy revenue growth in 9M23, this should accelerate in 4Q23 given that its larger UK business has a seasonal spike in 4Q23 with the academic year starting in September and revenue recognition in October. In Australia, where the academic year starts in 1Q24, the company notes that it is seeing strong demand from its forward sales efforts. It was also heartening to note that the numbers of students originating from China has risen to near pre-COVID-19 levels and now constitute nearly 50% of its clients. Students from India, South Asia and Southeast Asia have also returned strongly.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	143	180	192	200	203
EBITDA	79	118	128	121	124
Operating profit	76	115	117	108	110
Net profit (rep./act.)	53	71	67	68	70
Net profit (adj.)	53	71	67	68	70
EPS (S\$ cent)	6.3	8.5	7.9	8.1	8.3
PE (x)	6.4	4.7	5.0	4.9	4.8
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	11.7	7.8	7.2	7.7	7.5
Dividend yield (%)	1.3	1.3	6.0	6.1	6.2
Net margin (%)	36.8	39.6	34.8	34.2	34.4
Net debt/(cash) to equity (%)	100.1	86.6	76.5	80.4	77.7
Interest cover (x)	3.5	4.2	3.5	4.7	4.8
ROE (%)	8.3	10.6	9.4	9.4	9.9
Consensus net profit	-	-	69	80	83
UOBKH/Consensus (x)	-	-	0.97	0.85	0.84

Source: Centurion, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.40
Target Price	S\$0.50
Upside	+25.0%

COMPANY DESCRIPTION

Centurion is one of the largest providers of purpose-built workers' accommodations in Singapore and Malaysia, and has exposure to student accommodation in UK and Australia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CENT SP
Shares issued (m):	840.8
Market cap (S\$m):	336.3
Market cap (US\$m):	249.4
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

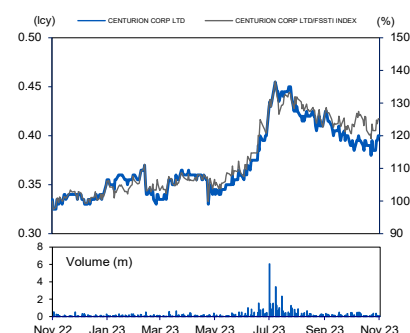
52-week high/low S\$0.455/S\$0.325

1mth	3mth	6mth	1yr	YTD
2.6	(5.9)	15.9	17.6	19.4

Major Shareholders

	%
Centurion Properties P/L	50.6
Teo Peng Kwang	7.58
Loh Kim Kang	5.30
FY23 NAV/Share (S\$)	0.87
FY23 Net Debt/Share (S\$)	0.67

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

REVENUE FOR 3Q23 AND 9M23

	3Q22	3Q23	% chg	9M22	9M23	% chg
Revenue by business segment						
PBWA	34.56	40.13	16.1%	101.53	113.46	11.8%
PBSA	9.38	10.76	14.7%	31.90	35.02	9.8%
Others	0.39	0.17	-58.0%	1.43	0.49	-65.6%
Total	44.33	51.05	15.2%	134.86	148.97	10.5%
Revenue by geography						
Singapore	30.68	35.51	15.8%	91.69	99.27	8.3%
Malaysia	4.27	4.78	11.8%	11.26	14.69	30.4%
Australia	3.32	3.95	19.1%	7.86	10.82	37.7%
United Kingdom	5.40	6.44	19.2%	22.10	23.03	4.2%
Others	0.67	0.37	-44.1%	1.94	1.17	-39.9%
Total	44.33	51.05	15.2%	134.86	148.97	10.5%

Source: CENT

- **New dormitory standards could be supportive of rental rates.** In mid-Oct 23, Singapore's Ministry of Manpower (MOM) announced new standards for workers' dormitories, namely the: a) Dormitory Transition Scheme (DTS) which are interim standards effective up to 2030, and b) New Dormitory Standards (NDS) which are effective from 2040 onwards. Migrant worker dormitories currently do not have any restrictions on the maximum residents per room, nor requirements for spacing between beds whereas the DTS will apply to existing dormitories, and will be implemented between 2027 and 2030. In our view, it appears that the supply tightness in PBWAs is likely to persist into 2026 and thus would be supportive of a potential increase in rental rates.
- **Redevelopment in the pipeline.** To prepare for the DTS, CENT plans to partially redevelop two of its purpose-built dormitories (PBDs), ie Westlite Toh Guan and Westlite Mandai, in an effort to increase bed capacity. Provisional, not final, permission has been obtained from the necessary government departments, and thus the company has not announced the potential increase in the number of beds or the capex.

EARNINGS REVISION/RISK

- **No changes to earnings estimates.** We highlight that our 2023F earnings estimates include fair value gains for CENT's investment properties in Singapore and Malaysia as announced by the company at its 1H23 results briefing.

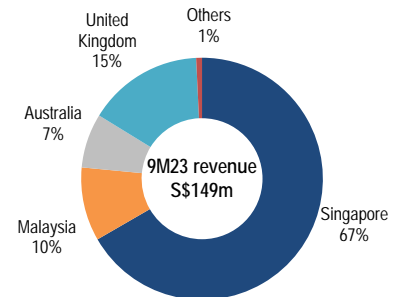
VALUATION/RECOMMENDATION

- **Maintain BUY with a PE-based target price of S\$0.50.** Our target PE multiple is 6.1x, which is 1.5SD above the company's average PE multiple since 2020, and applied to our 2024F EPS estimate. We believe that the company's current metrics are inexpensive, trading at 2024F PE of 4.9x and 0.5x P/B. In our view, this could be affected by the company's low daily trading liquidity, which it is aware of and has been trying to solve for some time now. We highlight that CENT's total return of 24.2% ytd has easily outperformed the STI's 1.1% total return and we remain confident that the stock can maintain this outperformance in the next 12 months.

SHARE PRICE CATALYSTS

- Successful capital recycling efforts or capacity expansions involving joint ventures or which could result in a more asset-light business model that requires less capital intensity.
- Higher dividends in the year-end results.

SHARE OF REVENUE BY GEOGRAPHY



Source: CENT

FIVE-YEAR P/B CHART



Source: CENT

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	180	192	200	203
EBITDA	118	128	121	124
Deprec. & amort.	4	11	13	14
EBIT	115	117	108	110
Associate contributions	9	8	8	9
Net interest income/(expense)	(28)	(37)	(26)	(26)
Pre-tax profit	95	89	91	93
Tax	(19)	(14)	(15)	(15)
Minorities	(5)	(7)	(8)	(8)
Preferred dividends	0	0	0	0
Net profit	71	67	68	70
Net profit (adj.)	71	67	68	70

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	103	110	61	109
Pre-tax profit	76	74	76	77
Tax	(7)	(14)	(15)	(15)
Deprec. & amort.	4	11	13	14
Associates	(9)	(8)	(8)	(9)
Working capital changes	12	3	(44)	0
Non-cash items	27	45	41	41
Other operating cashflows	0	0	0	0
Investing	(2)	(18)	(25)	(25)
Capex (growth)	(1)	(25)	(25)	(25)
Capex (maintenance)	(5)	0	0	0
Investments	4	7	0	0
Proceeds from sale of assets	1	0	0	0
Others	0	0	0	0
Financing	(100)	19	(46)	(47)
Dividend payments	(9)	(20)	(20)	(21)
Issue of shares	0	0	0	0
Proceeds from borrowings	64	76	0	0
Loan repayment	(126)	0	0	0
Others/interest paid	(29)	(37)	(26)	(26)
Net cash inflow (outflow)	1	111	(10)	37
Beginning cash & cash equivalent	67	67	176	164
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	68	177	166	201

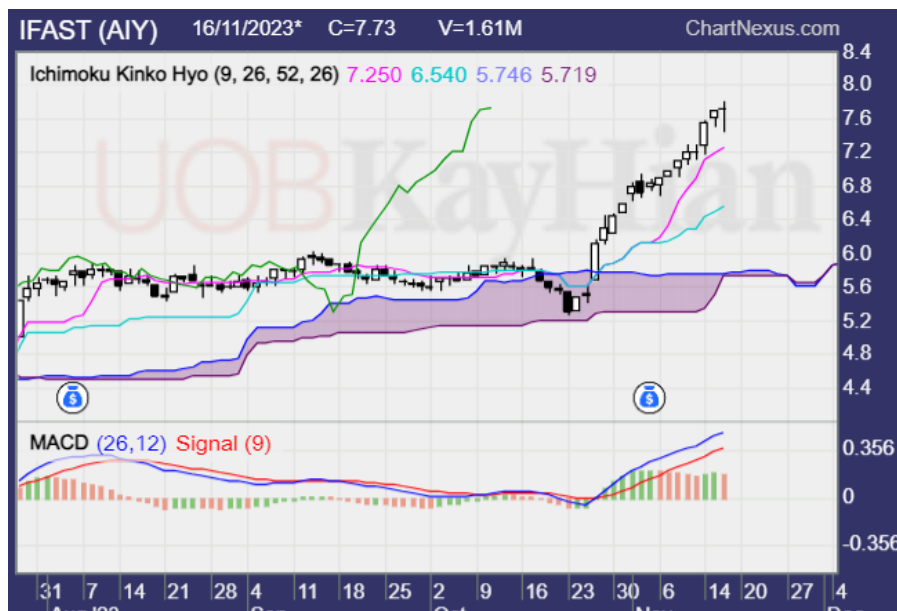
BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	7	0	0	0
Other LT assets	1,449	1,451	1,437	1,437
Cash/ST investment	68	177	166	201
Other current assets	23	24	23	23
Total assets	1,548	1,652	1,626	1,662
ST debt	80	56	56	56
Other current liabilities	86	89	30	30
LT debt	583	683	683	683
Other LT liabilities	91	61	114	171
Shareholders' equity	687	734	713	692
Minority interest	22	29	29	29
Total liabilities & equity	1,548	1,652	1,626	1,662

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	65.6	66.9	60.4	61.1
Pre-tax margin	52.8	46.3	45.4	45.6
Net margin	39.6	34.8	34.2	34.4
ROA	4.6	4.2	4.2	4.2
ROE	10.6	9.4	9.4	9.9
Growth				
Turnover	26.2	6.2	4.1	1.7
EBITDA	49.6	8.3	(6.0)	3.0
Pre-tax profit	40.3	(6.9)	2.2	2.2
Net profit	35.6	(6.5)	2.2	2.2
Net profit (adj.)	35.6	(6.5)	2.2	2.2
EPS	35.6	(6.5)	2.2	2.2
Leverage				
Debt to total capital	48.3	49.2	49.9	50.6
Debt to equity	96.5	100.7	103.6	106.8
Net debt/(cash) to equity	86.6	76.5	80.4	77.7
Interest cover (x)	4.2	3.5	4.7	4.8

TRADERS' CORNER



iFAST Corp (IFAST SP)

Trading Buy Range: S\$6.78-6.79

Last price: S\$7.73

Target price: S\$7.73

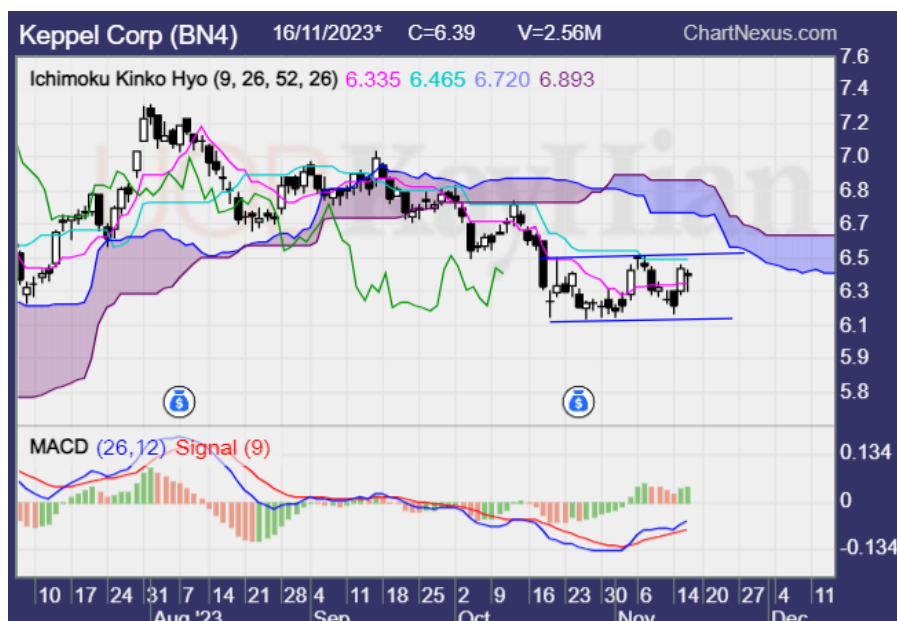
Protective stop: S\$6.50

Price is trading far above the cloud, keeping the strong uptrend intact. Conversion and base lines remain in a bullish crossover. the MACD is strong and bullish. These could increase chances of the stock price moving higher.

The potential upside target is S\$7.73. Stop-loss could be placed at S\$6.50.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S\$4.81.



Keppel Corp (KEP SP)

Trading Sell Range: S\$6.45-6.46

Last price: S\$6.39

Target price: S\$5.72

Protective stop: S\$6.66

Price is in a downtrend as it is trading below the cloud. It is currently consolidating within a bearish flag, hinting at more downside ahead. The MACD remains bearish and a bearish crossover is likely. These could increase chances of the stock price moving lower.

The potential downside target is S\$5.72 Stop-loss could be placed at S\$6.66.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$9.09.

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