

COMPANY RESULTS

Centurion Corp (CENT SP)

2024: Higher-than-expected Earnings Supported By Fair Value Gains

CENT reported a 45% increase in core net profit of S\$111m for 2024, supported by strong rental revisions and higher occupancies across both PBWA and PBSA asset classes. Management noted persistent supply-demand imbalances that underscored its pricing power during lease renewals, as well as a favourable macro backdrop in Singapore's PBWA segment. Maintain BUY. Target price raised to S\$1.16.

2024 RESULTS

Year to 31 Dec (\$m)	2023	2024	% yoy	Remarks
Revenue	207.2	253.6	22.4%	- Strong rental reversion across both PBWA and PBSA
Gross Profit	150.0	195.6	30.4%	
Net FV gain/(loss)	84.8	219.1	158.4%	- FV gain on investment properties
Pre-tax profit	195.4	421.3	115.6%	
PATMI	153.1	344.8	125.2%	
Core net profit	76.3	110.8	45.2%	- Strong performance even if we exclude FV gains
Gross profit margin	72.4%	77.1%	+4.7ppt	
Pre-tax margin	94.3%	166.1%	+71.8ppt	
Core net margin	36.8%	43.7%	+6.9ppt	

Source: Centurion Corp, UOB Kay Hian

RESULTS

- **Better-than-expected earnings assisted by fair value gains.** Centurion Corp's (CENT) 125% yoy increase PATMI to S\$345m in 2024 was helped in no small measure by net fair value (FV) gains of S\$219m on its investment properties. Importantly, core net profit excluding FV gains of S\$111m (+45% yoy) beat our and consensus estimates due to positive rental reversion across both Purpose Built Workers' Accommodation (PBWA) and Purpose Built Students' Accommodation (PBSA) while cost of sales stayed flat, thus leading to a 5ppt yoy improvement in gross margin.
- **CENT's balance sheet continues to strengthen** with net debt declining 8% to S\$534m at end-24, thus resulting in a lower net debt/equity of 0.3x (end-23: 0.4x). In our view, its average long-term debt maturity profile remains comfortable at six years while interest coverage ratio improved to 4.4x (end-23: 3.6x).
- **Dividend payout ratio maintained.** CENT declared a final 2024 DPS of S\$0.02 on top of its interim dividend of S\$0.015/share. Thus, total DPS of S\$0.035 for 2024 was slightly higher than our estimate of S\$0.03 (30% payout ratio based on core EPS). Our 2025 forecast payout ratio remains unchanged at 30%, thus implying a dividend of S\$0.035/share or a yield of 3.0% based on yesterday's closing share price.

KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	207	254	253	272	285
EBITDA	209	378	146	156	164
Operating profit	205	374	150	160	168
Net profit (rep./act.)	153	345	99	108	118
Net profit (adj.)	68	283	99	108	118
EPS (\$ cent)	8.1	33.7	11.7	12.8	14.0
PE (x)	12.4	3.0	8.6	7.9	7.2
P/B (x)	1.0	0.7	0.7	0.7	0.6
EV/EBITDA (x)	7.0	3.9	10.0	9.3	8.9
Dividend yield (%)	2.5	3.5	3.5	3.8	4.2
Net margin (%)	73.9	136.0	38.9	39.6	41.4
Net debt/(cash) to equity (%)	70.6	46.4	42.5	37.5	26.5
Interest cover (x)	5.6	9.8	5.7	6.1	7.1
ROE (%)	20.2	34.9	8.3	8.6	8.8
Consensus net profit	-	-	105	113	127
UOBKH/Consensus (x)	-	-	0.94	0.95	0.93

Source: Centurion Corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.01
Target Price	S\$1.16
Upside	+14.9%
(Previous TP)	S\$1.11

COMPANY DESCRIPTION

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

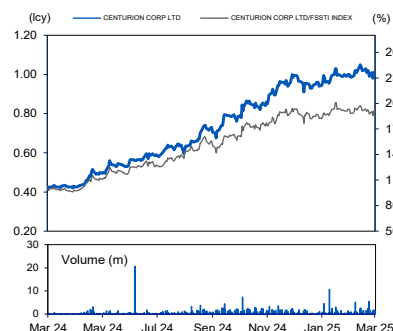
STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CENT SP
Shares issued (m):	840.8
Market cap (S\$m):	849.2
Market cap (US\$m):	635.2
3-mth avg daily t'over (US\$m):	0.9

Price Performance (%)

52-week high/low	S\$1.06 /S\$0.41			
1mth	3mth	6mth	1yr	YTD
1.0	3.1	41.3	143.4	5.2
Major Shareholders				%
Centurion Properties P/L				50.6
Teo Peng Kwang				7.58
Loh Kim Kang				5.30
FY25 NAV/Share (S\$)				1.45
FY25 Net Debt/Share (S\$)				0.62

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Solid performance of core segment to continue.** CENT's PBWA assets saw segmental revenue and profit grow 24% and 32% yoy respectively in 2024. This stellar performance was largely due to higher rental revisions in Singapore, enabled by short-term leases that were renewed at higher prevailing rates. Singapore's Building & Construction Authority has forecast construction spending to be S\$47b-53b in 2025 and remain elevated at S\$39b-46b in 2026-29. Thus, the macro backdrop appears favourable for CENT in our view. While management guided that rental revision rates are expected to moderate from the sharp increases of prior years, supply-demand dynamics are set to remain tight as dormitories in the market undergo retrofitting to meet government mandates for increased space per worker between 2027 and 2030.
- **Student accommodation improves despite global slowdown and government scrutiny.** CENT's PBSA business in the UK and Australia has continued to perform well despite potential regulatory headwinds and declines in student enrolment from India and China. In the UK, occupancy grew by 5ppt yoy to 98% in 2024, while occupancy in Australia jumped to 96% (+8 ppt yoy), highlighting strong demand from the domestic market and an inadequate supply pipeline of beds. Industry data forecasts that the shortfall in the UK is projected to reach 620,000 beds by 2029.
- **Unlocking shareholder value via REIT spin-off.** Management is actively exploring a spin-off of some of its PBWA and PBSA assets into a REIT to unlock value for shareholders. Management has guided that the proposed REIT will be of a "reasonable size", reflecting the company's significant asset growth since its initial 2015 REIT exploration. While the type of asset that CENT is able to offer is a key differentiating factor, we point to the fact that the Singapore REIT industry is extremely crowded, and a mid-sized REIT could struggle for investors' attention.

EARNINGS REVISION/RISK

- **Mild upgrade to earnings.** We have upgraded our earnings estimates for 2025-26 by around 1% for both years which is explained by slight movements in net finance costs.

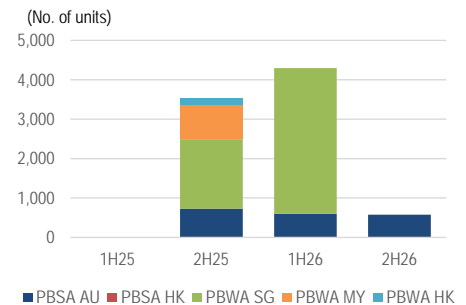
VALUATION/RECOMMENDATION

- **Maintain BUY with a higher PE-based target price of S\$1.16** (S\$1.11 previously) which uses a target PE multiple of 8.7x, or 0.5SD above CENT's long-term average PE multiple of 6.9x (excluding 2019 which was affected by COVID-19). We highlight that our target PE multiple is applied to the average of our 2025 and 2026 EPS estimates to account for the earnings growth from its projects in 2026 (see chart on RHS). We believe that this target PE multiple is undemanding given the company's earnings growth over the next two years. In our view, CENT's current metrics are inexpensive, trading at 2025F PE of 8.6x and 0.8x P/B.
- **Further upside is possible.** We highlight that raising our target PE multiple to 10.6x (ie 1SD above the company's long-term average) would increase our target price to S\$1.42.

SHARE PRICE CATALYST

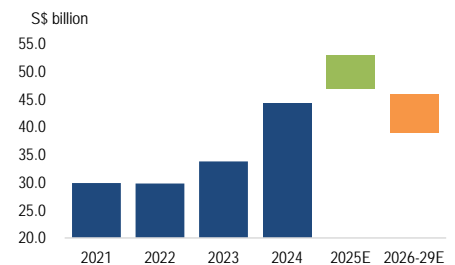
- Proposed REIT spin-off of PBWA and PBSA assets and subsequent dividend in specie could enhance investor sentiment and increase demand for CENT shares; successful capital recycling efforts or capacity expansions involving JVs could result in a more asset-light business model that thus requires less capital intensity.

KEY GROWTH PROJECTS



Source: CENT

HISTORICAL AND FORECAST CONSTRUCTION SPENDING IN SINGAPORE



Source: BCA

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	254	253	272	285
EBITDA	378	146	156	164
Deprec. & amort.	4	(4)	(4)	(4)
EBIT	374	150	160	168
Total other non-operating income	(0)	0	0	0
Associate contributions	86	9	11	15
Net interest income/(expense)	(39)	(25)	(25)	(23)
Pre-tax profit	421	133	146	160
Tax	(39)	(24)	(26)	(29)
Minorities	(38)	(11)	(12)	(13)
Net profit	345	99	108	118
Net profit (adj.)	283	99	108	118

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	12	12	12	12
Other LT assets	2,070	2,174	2,205	2,153
Cash/ST investment	89	117	150	216
Other current assets	24	24	24	24
Total assets	2,195	2,327	2,391	2,405
ST debt	43	56	56	0
Other current liabilities	134	119	125	130
LT debt	581	581	581	581
Other LT liabilities	203	257	227	197
Shareholders' equity	1,152	1,221	1,297	1,379
Minority interest	83	94	106	118
Total liabilities & equity	2,195	2,327	2,391	2,405

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	154	130	137	140
Pre-tax profit	383	109	120	131
Tax	(17)	(24)	(26)	(29)
Deprec. & amort.	(4)	(4)	(4)	(4)
Associates	(86)	(9)	(11)	(15)
Working capital changes	9	8	6	4
Non-cash items	(131)	49	52	52
Other operating cashflows	0	0	0	0
Investing	(17)	(43)	(42)	(13)
Capex (growth)	(9)	(25)	(26)	0
Investment	64	7	9	12
Proceeds from sale of assets	0	0	0	0
Others	(72)	(25)	(25)	(25)
Financing	(122)	(55)	(58)	(59)
Dividend payments	(30)	(30)	(32)	(35)
Proceeds from borrowings	42	0	0	0
Loan repayment	(103)	0	0	0
Others/interest paid	(31)	(25)	(25)	(23)
Net cash inflow (outflow)	15	32	36	68
Beginning cash & cash equivalent	75	85	114	146
Changes due to forex impact	2	0	0	1
Ending cash & cash equivalent	92	117	150	216

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	149.0	57.5	57.6	57.6
Pre-tax margin	166.1	52.7	53.6	56.1
Net margin	136.0	38.9	39.6	41.4
ROA	17.6	4.4	4.6	4.9
ROE	34.9	8.3	8.6	8.8
Growth				
Turnover	22.4	(0.1)	7.3	4.8
EBITDA	81.1	(61.5)	7.4	4.9
Pre-tax profit	115.6	(68.3)	9.2	9.5
Net profit	125.2	(71.4)	9.2	9.5
Net profit (adj.)	314.6	(65.2)	9.2	9.5
EPS	314.6	(65.2)	9.2	9.5
Leverage				
Debt to total capital	33.5	32.6	31.2	27.9
Debt to equity	54.1	52.1	49.1	42.1
Net debt/(cash) to equity	46.4	42.5	37.5	26.5
Interest cover (x)	9.8	5.7	6.1	7.1

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