

COMPANY UPDATE

Centurion Corp (CENT SP)

A Safe Harbour Amid Trump's Tragic Tariffs

CENT remains a key stock for investors in turbulent times, in our view. It has earnings growth, backed by a strong outlook for the Singapore construction sector and underpinned by policy changes to lower the density within PBWA assets. In addition, both its PBWA and PBSA assets exhibit high inelastic demand and thus appear inexpensive, trading at 2025F PE of 9.5x and generating a net margin of >38%. Maintain BUY. Raise target price to S\$1.48.

WHAT'S NEW

- **A safe harbour.** We believe that Centurion Corp's (CENT) business model, with its exposure to both Purpose-Built Workers' Accommodation (PBWA) and Purpose-Built Students' Accommodation (PBSA), will insulate the company's revenues and profitability from exogenous shocks brought on by US President Trump's tariffs. Over the next 12-24 months, we expect construction spending in Singapore in both the public and private sectors to remain robust while education expenditure remains inelastic, impacting CENT's student accommodation assets in the Australian and UK markets.
- **Mega construction projects underpin demand for CENT's PBWA assets.** In 2024, CENT reported S\$124m in revenue, of which nearly 70% came from Singapore (see chart overleaf) and its PBWA assets. Construction activity from both the public and private sectors remains high with key multi-year projects such as the Marina Bay Sands expansion (worth S\$10.7b), Resorts World Sentosa expansion (S\$6.8b), Changi Airport Terminal 5 (S\$11.0b), and the 21.5km North-South Corridor linking Woodlands to the western end of the East Coast Parkway (S\$7.5b).
- **Potential growth in Malaysia.** In addition to the large projects above, we also highlight that the proposed Johor-Singapore Special Economic Zone could lead to additional demand for CENT's PBWA assets in Malaysia (2024: 8% of revenue). At present, we forecast 870 new beds that will be completed by end-25, with contribution only starting in 2026. In prior conversations with management, they were clearly bullish on the PBWA sector in Malaysia and thus we should expect potential acquisition announcements in the near to medium term.
- **Building a decent moat.** In the past few years, CENT has built a decent moat around its PBWA business, especially in its core market here in Singapore. Given that it takes 24 months or more for a potential competitor to tender for and build a PBWA facility, we do not foresee meaningful competition threatening CENT's core business in the near to medium term.

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 (S\$ cent) | 8.1 | 33.7 | 11.7 | 12.8 | 14.0 |
| PE (x) | 13.8 | 3.3 | 9.5 | 8.7 | 8.0 |
| P/B (x) | 1.1 | 0.8 | 0.8 | 0.7 | 0.7 |
| EV/EBITDA (x) | 7.5 | 4.1 | 10.7 | 9.9 | 9.5 |
| Dividend yield (%) | 2.2 | 3.1 | 3.1 | 3.4 | 3.8 |
| 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 | - | - | 108 | 116 | 120 |
| UOBKH/Consensus (x) | - | - | 0.92 | 0.93 | 0.98 |

Source: Centurion Corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|---------------|----------|
| Share Price | S\$1.12 |
| Target Price | S\$1.48 |
| Upside | +32.1% |
| (Previous TP) | S\$1.16) |

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): | 941.7 |
| Market cap (US\$m): | 714.1 |
| 3-mth avg daily t'over (US\$m): | 1.5 |

Price Performance (%)

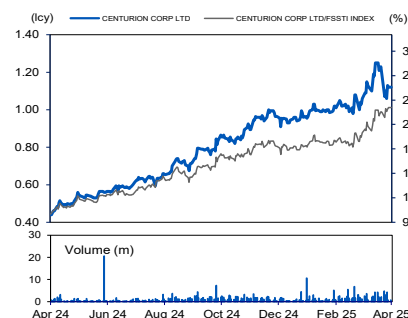
| | | | | |
|------------------|------------------|-------------|------------|------------|
| 52-week high/low | S\$1.27 /S\$0.43 | | | |
| 1mth | 3mth | 6mth | 1yr | YTD |
| 12.0 | 13.7 | 32.5 | 160.5 | 16.7 |

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

ANALYST(S)

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STOCK IMPACT

- **A strengthening balance sheet.** We highlight that CENT's balance sheet continues to strengthen as net debt declined 8% to S\$534m at end-24 compared to end-23, 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).
- **Singapore's construction industry expected to remain robust.** Singapore's Building & Construction Authority has forecast construction spending at S\$47-53b in 2025, remaining elevated at S\$39-46b in 2026-29E. Thus, the macro backdrop appears favourable for CENT. While management guided that rental revision rates are expected to moderate from the sharp increases seen in 2023 and 2024, it retains its firm belief that supply-demand dynamics are set to remain tight as existing dormitories undergo retrofitting to meet government mandates for increased space per worker between 2027 and 2030. We highlight that this is a trend that is occurring in the Malaysian market as well.
- **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

- **Earnings revision: None.**

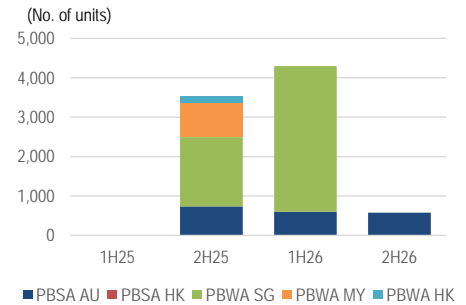
VALUATION/RECOMMENDATION

- **Maintain BUY with a higher PE-based target price of S\$1.48** (S\$1.16 previously). We have raised our target PE multiple to 10.6x which is 1SD above the company'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.
- **Remains an inexpensive stock.** In our view, the company's current metrics are inexpensive, trading at 2025F PE of 9.5x and 0.8x P/B. Our 2025 forecast payout ratio remains unchanged at 30%, thus implying a dividend of S\$0.035/share or a yield of 3.1% based on Friday's closing share price.

SHARE PRICE CATALYST

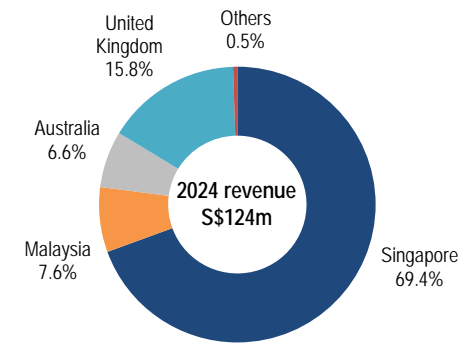
- Proposed REIT spin-off of PBWA and PBSA assets and subsequent dividend in specie could enhance investor sentiment and increase demand for CENT shares; successful capital recycling efforts or capacity expansions involving JVs which could result in a more asset-light business model that requires less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

CENTURION'S KEY GROWTH PROJECTS



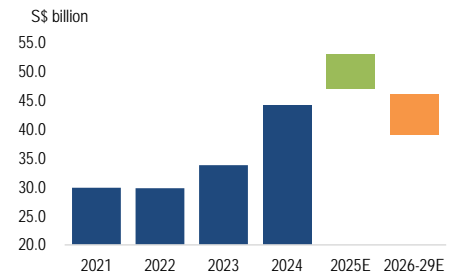
Source: CENT

2024 REVENUE BY GEOGRAPHIC SEGMENT



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 |

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 |
| Investments | 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 |

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 |

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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