

COMPANY RESULTS

Centurion Corp (CENT SP)

1H22: On Recovery Trajectory; 2H Likely To Be Similarly Strong

CENT continues on its post-COVID-19-peak recovery with strong revenue and profit growth. Its bottom line was helped by a fair value gain on its investment properties. Going forward, we expect yoy growth in 2H22 as we forecast occupancy rates to continue expanding while rental reversions remain positive. Maintain BUY. Target price raised slightly to S\$0.45 (S\$0.43 previously).

1H22 RESULTS

Year to 31 Dec (\$m)	1H21	1H22	yoy	Remarks
Revenue	64.7	90.5	40%	- Higher revenues mainly in SG, UK, Australia
Gross profit	43.5	60.9	40%	
Net FV gains	-14.5	9.5	166%	- Net fair value gain on investment properties
Pre-tax profit	12.3	48.9	297%	
PATMI	8.7	32.9	278%	
Gross profit margin	67.1%	67.0%	-0.1%	
Pre-tax margin	19.0%	54.0%	184%	
PATMI margin	13.5%	36.0%	167%	

Source: Centurion Corp, UOB Kay Hian

RESULTS COMMENTS

- Above expectations.** Centurion (CENT) reported robust 1H22 revenue of \$91m (+40% yoy), while the nearly threefold increase in PATMI to S\$33m was largely the result of a net fair value gain of S\$9.5m on its investment properties. CENT's revenue and gross profit made up 55% and 57% of our full-year estimates respectively. Its gross profit margin of 67% in 1H22 was similar to that seen in 1H21. The better-than-expected numbers were due to higher revenues in Singapore, UK and Australia, as well as higher capacity in its new purpose-built workers' accommodation (PBWA). An interim dividend of S\$0.005 per share was declared for 1H22 (1H21: nil).
- Financial position continues to be healthy and should improve in 2H22.** While the company's net gearing only mildly improved from 47% at end-21 to 46% at end-1H22, the company's free cash flow generation in 1H22 improved significantly to S\$44m vs S\$26.9m in 1H21. With the company seeing strong occupancy recovery in its Australian and Malaysian assets, helped by decent rental reversions for its Singapore and UK assets, CENT's free cash flow generation should maintain its strength.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	128	143	174	183	188
EBITDA	47	79	111	106	111
Operating profit	44	76	102	96	98
Net profit (rep./act.)	17	53	63	59	61
Net profit (adj.)	17	53	63	59	61
EPS (S\$ cent)	2.0	6.3	7.5	7.0	7.3
PE (x)	18.4	6.0	5.0	5.3	5.2
P/B (x)	0.5	0.5	0.4	0.4	0.4
EV/EBITDA (x)	20.5	12.3	8.7	9.1	8.8
Dividend yield (%)	0.0	1.3	4.0	3.8	3.9
Net margin (%)	13.4	36.8	36.4	32.3	32.5
Net debt/(cash) to equity (%)	110.8	100.1	89.2	78.9	80.9
Interest cover (x)	2.0	3.5	4.3	4.1	4.3
ROE (%)	2.9	8.3	9.2	8.1	8.1
Consensus net profit	-	-	52	56	60
UOBKH/Consensus (x)	-	-	1.21	1.05	1.01

Source: Centurion Corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.375
Target Price	S\$0.450
Upside	+20.0%
(Previous TP)	S\$0.43)

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):	315.3
Market cap (US\$m):	228.4
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

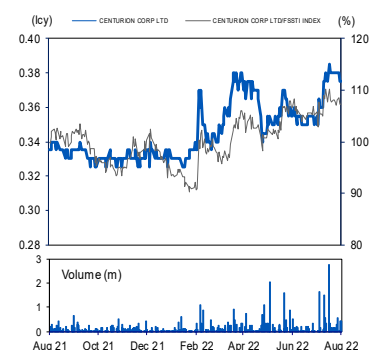
52-week high/low		S\$0.385/S\$0.325		
1mth	3mth	6mth	1yr	YTD
7.1	8.7	10.3	11.9	13.6

Major Shareholders

	%
Centurion Properties	50.6
Teo Peng Kwang	7.6
Han Seng Juan	5.0

FY22 NAV/Share (S\$)	0.84
FY22 Net Debt/Share (S\$)	0.75

PRICE CHART



Source: Bloomberg

ANALYST(S)

Adrian Loh
+65 6590 6633
adrianloh@uobkayhian.com

STOCK IMPACT

- PBWA continues to be robust.** The customer base for CENT's PBWA business has changed slightly from the year-ago period with higher contribution from the oil and gas segment as well as the commercial and engineering sectors. CENT stated that its existing PBWA business has recovered to pre-COVID-19 levels and it does not believe that this would retrace. The company has two new purpose-built dormitories planned in Singapore, but these will only be completed in three years' time. Going forward, CENT's management stated that its Singapore PBWA business should see 2-5% yoy rental reversions.
- Significant recovery in PBSA with more upside ahead.** The purpose-built students' accommodation (PBSA) segment saw a robust recovery in occupancy in its UK portfolio for the current academic year (started Sep 21). CENT's acquisition of a 103-bed freehold student accommodation asset in Nottingham in the UK for S\$18m in 1H22 thus proved timely, with the outlook remaining very solid given the Nottingham City Council's estimation that there will be a shortfall of 5,000 PBSA beds by academic year 2024/25. In addition, the Australian PBSA market should continue contributing strongly to CENT's bottom line on a yoy and sequential basis given that the country only relaxed its travel restrictions in 1H22. At the analyst briefing, the company disclosed that it has witnessed a 3-5% yoy rental reversion for its PBSA business ytd, and this could be in the high-single digits for the upcoming academic year.
- Sale of its US portfolio.** CENT's US assets are held under a fund structure where it owns a 28.7% stake, and given that the fund is coming to the end of its life soon, it is looking to sell the assets as a whole. At the company's analyst briefing, it stated that it is currently in discussions with a bidder and should be able to announce a sale in the near term. Going forward, CENT plans to launch another fund as it now has a solid track record, and preliminary talks with some investors indicate that there is high demand for such products as these assets are seen to be anti-recession and inflation-proof.

EARNINGS REVISION/RISK

- Upgrading 2022-24 forecasts.** Based on the better-than-expected revenue numbers, we have upgraded our 2022-24 earnings forecasts by 5-26%, with the largest upgrade coming in 2022 (see table on RHS). This is largely due to the fair value gain reported in 1H22 and we expect another smaller gain in 2H22 as the company's UK and Australian PBSA assets should do better and could potentially see further fair value gains. In addition, we have increased our assumptions for CENT's occupancy rate for both PBWA and PBSA by 2-3ppt, and also increased our rental assumptions by 2-5% given the strength we have seen in 1H22.

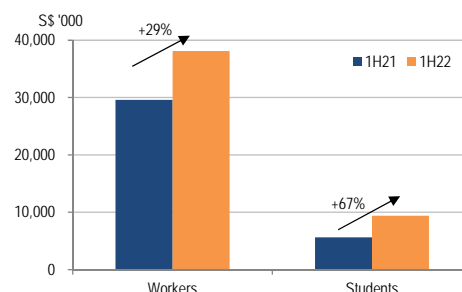
VALUATION/RECOMMENDATION

- Maintain BUY with slightly higher target price of S\$0.45 (S\$0.43 previously).** Our target price is an aggregate of both PE and P/B valuation methodologies. Our target PE multiple of 5.9x is 1SD above the company's past five-year average of 4.9x (which excludes the abnormal forward PE multiples seen in 2019-20) and results in a valuation of S\$0.43. Our target P/B multiple of 0.54x (in line with its past five-year average P/B) is \$0.47. We also highlight that Executive Director and joint chairman, David Loh, has been steadily accumulating more shares in the company in 2022.

SHARE PRICE CATALYST

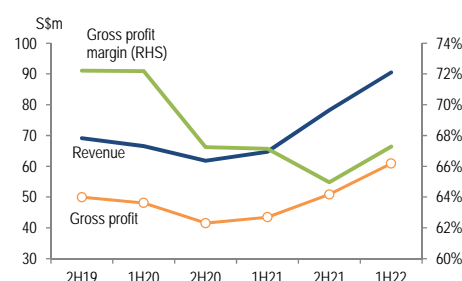
- Resolution of new laws regarding Singapore PBWAs.
- Sale of its US assets and the launch of a new PBSA fund targeted at US assets.

SEGMENTAL PROFIT FOR ACCOMMODATION BUSINESS



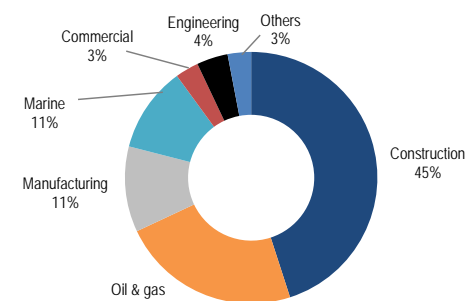
Source: Bloomberg, UOB Kay Hian

REVENUE AND GROSS PROFIT VS GROSS PROFIT MARGIN



Source: CENT

CUSTOMER BASE FOR WORKERS ACCOMMODATION BUSINESS



Source: CENT

CHANGES TO FORECAST EARNINGS

S\$m	2022	2023	2024
NPAT - was	50.2	56.1	58.3
NPAT - is	63.2	59.2	61.0
Change	25.7%	5.5%	4.8%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	143	174	183	188
EBITDA	79	111	106	111
Deprec. & amort.	4	9	11	13
EBIT	76	102	96	98
Associate contributions	15	7	8	8
Net interest income/(expense)	(23)	(26)	(26)	(26)
Pre-tax profit	68	84	78	81
Tax	(12)	(17)	(15)	(16)
Minorities	(3)	(4)	(4)	(4)
Preferred dividends	0	0	0	0
Net profit	53	63	59	61
Net profit (adj.)	53	63	59	61

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	9	74	0	0
Other LT assets	1,477	1,483	1,486	1,462
Cash/ST investment	67	106	141	136
Other current assets	29	29	29	29
Total assets	1,583	1,691	1,656	1,627
ST debt	63	56	56	56
Other current liabilities	74	84	87	27
LT debt	664	683	683	683
Other LT liabilities	104	137	48	90
Shareholders' equity	660	710	758	745
Minority interest	18	21	25	25
Total liabilities & equity	1,583	1,691	1,656	1,627

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	74	85	93	59
Pre-tax profit	56	67	63	65
Tax	(8)	(17)	(15)	(16)
Deprec. & amort.	4	9	11	13
Associates	(15)	(7)	(8)	(8)
Working capital changes	3	6	2	(36)
Non-cash items	35	28	41	42
Other operating cashflows	0	0	0	0
Investing	(20)	(19)	(18)	(25)
Capex (growth)	(4)	(25)	(25)	(25)
Capex (maintenance)	(31)	0	0	0
Investments	11	6	7	0
Proceeds from sale of assets	4	0	0	0
Others	0	0	0	0
Financing	(72)	(27)	(38)	(38)
Dividend payments	0	(13)	(12)	(12)
Issue of shares	0	0	0	0
Proceeds from borrowings	48	11	0	0
Loan repayment	(87)	0	0	0
Others/interest paid	(33)	(26)	(26)	(26)
Net cash inflow (outflow)	(17)	39	37	(4)
Beginning cash & cash equivalent	84	66	104	140
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	67	106	141	136

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	55.3	64.0	58.1	58.9
Pre-tax margin	47.5	48.2	42.6	42.9
Net margin	36.8	36.4	32.3	32.5
ROA	3.4	3.9	3.5	3.7
ROE	8.3	9.2	8.1	8.1
Growth				
Turnover	11.4	21.5	5.5	2.5
EBITDA	67.1	40.6	(4.3)	3.9
Pre-tax profit	163.7	23.3	(6.8)	3.2
Net profit	206.8	19.9	(6.4)	3.2
Net profit (adj.)	206.8	19.9	(6.4)	3.2
EPS	206.8	19.9	(6.4)	3.2
Leverage				
Debt to total capital	51.8	50.3	48.6	49.0
Debt to equity	110.3	104.1	97.6	99.1
Net debt/(cash) to equity	100.1	89.2	78.9	80.9
Interest cover (x)	3.5	4.3	4.1	4.3

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 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W