

COMPANY RESULTS

Centurion Corp (CENT SP)

2022: Results Above Expectations With PBWA Demand Remaining Strong

CENT reported a strong increase in 2022 PATMI which was above expectations, driven by a broad-based increase in occupancy rates across all its geographies. PBWA remains its largest profit contributor, and demand in Singapore will remain very robust in 2023, underpinning its results for at least the next 12-18 months. Maintain BUY with target price lowered slightly to S\$0.43.

2022 RESULTS

Year to 31 Dec (\$m)	2021	2022	yoy %	Remarks
Revenue	143.02	180.45	26.2%	Due to higher occupancy across all geographies
Gross profit	94.32	123.56	31.0%	
Net FV gain/(loss)	-3.08	18.98	NM	Due to UK and Australian assets
Pre-tax profit	67.89	95.27	40.3%	
PATMI	52.68	71.43	35.6%	
Gross profit margin	65.9%	68.5%	+2.5ppt	
Pre-tax margin	47.5%	52.8%	+5.3ppt	
PATMI margin	36.8%	39.6%	+2.8ppt	

Source: CENT, UOB Kay Hian

RESULTS

- **Solid results that beat our expectations.** Centurion Corp (CENT) reported 2022 revenue of S\$180m (+26% yoy) and a 36% yoy increase in PATMI to S\$71m which was above our and consensus estimates. The strength in the results was due to broad-based increase in occupancy rates across all of its geographies. At the bottom line, and similar to its results in 2021, CENT reported a fair value gain on investment properties of nearly S\$19m, mostly relating to its UK and Australian assets. Excluding fair value adjustments and one-off items, EPS would have risen 23% yoy. A dividend of S\$0.005 was declared and in line with 2021's.
- **Better-than-expected demand for PBWA in Singapore.** CENT noted that it is experiencing healthy demand for its Purpose Built Workers Accommodation (PBWA) assets in Singapore due to the fact that rents in the private residential sector have increased materially in the past 12 months. As a result, companies that did not previously require accommodation for its workers are now a new source of demand as they assist their workers in accessing more affordable housing options. While Singapore PWBA saw only 2-3% rental reversion in 2022, CENT expects this to trend higher in 2023 and 2024 as some of its contracts roll off in the next 6-12 months and it is able to re-price to a higher level. In addition, management believes that the demand and supply will take more than six months to get to an equilibrium.

KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	143	180	186	191	194
EBITDA	79	118	112	117	120
Operating profit	76	115	101	104	106
Net profit (rep./act.)	53	71	59	67	69
Net profit (adj.)	53	71	59	67	69
EPS (S\$ cent)	6.3	8.5	7.1	8.0	8.2
PE (x)	5.4	4.0	4.8	4.3	4.2
P/B (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	11.0	7.4	7.8	7.5	7.3
Dividend yield (%)	1.5	1.5	4.2	4.7	4.8
Net margin (%)	36.8	39.6	32.0	35.2	35.4
Net debt/(cash) to equity (%)	100.1	86.6	76.2	78.6	74.7
Interest cover (x)	3.5	4.2	3.4	4.5	4.6
ROE (%)	8.3	10.6	8.4	9.2	9.6
Consensus net profit	-	-	59	61	-
UOBKH/Consensus (x)	-	-	1.01	1.10	-

Source: CENT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.34
Target Price	S\$0.43
Upside	+26.5%
(Previous TP)	S\$0.45)

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):	285.9
Market cap (US\$m):	212.3
3-mth avg daily t'over (US\$m):	0.0
Price Performance (%)	

52-week high/low S\$0.420/S\$0.325

1mth	3mth	6mth	1yr	YTD
(5.6)	1.5	(11.7)	(1.4)	1.5

Major Shareholders	%
Centurion Properties	50.6
Teo Peng Kwang	7.6
Han Seng Juan	5.3
FY23 NAV/Share (S\$)	0.87
FY23 Net Debt/Share (S\$)	0.67

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Interesting new project with JTC.** In Jan 23, CENT was awarded a tender by Jurong Town Council (JTC) to develop and operate a new 1,650-bed Purpose Built Dormitory (PBD) by 2025, with the former holding a 51% stake. The land parcel involves a 30-year lease and is situated at Ubi Avenue 3, which is interesting given that this is in the east of Singapore vs CENT's current assets which are all in the west. Management stated that Singapore's western area is currently experiencing a shortage of quality PBD supply.
- **Shifting trends in purpose built student accommodation (PBSA).** CENT noted a new trend of students wanting more private rooms with en suite bathrooms, possibly as a result of the COVID-19 pandemic. Management have therefore planned for asset enhancement initiatives to cater to this trend in Australia and the UK, which will lead to higher asking rents; however it was not able to provide any capex guidance for such projects.
- **Debt levels still high.** While the company ended 2022 with over S\$68m in cash, it nevertheless had a net debt/equity ratio of 0.84x (2021: 0.97x) which we view as high. CENT reported that its average long-term bank debt maturity was around six years. We forecast that the company's interest cover will drop to 3.4x in 2023 vs 4.2x last year.

EARNINGS REVISION/RISK

- **Slight upgrades.** We have largely maintained our net profit forecast for 2023 but upgraded 2024 earnings by 10% on the back of: a) higher rental rates for Australian and UK PBSA as international students (particularly from China) return to the sector in the next academic year, and b) higher rental reversions in the PBWA sector in Singapore due to higher-than-expected demand conditions. Note that our earnings forecasts do not include fair value gains/losses.

VALUATION/RECOMMENDATION

- **Maintain BUY with a slightly lower target price of S\$0.43 (previously \$0.45)** as we have rolled forward our valuation year to 2023. Our target price is an aggregate of both PE and P/B valuation methodologies. Our PE target multiple of 5.7x is 1SD above Centurion's past five-year average of 4.8x (excluding 2020 which was impacted by COVID-19) and results in a valuation of S\$0.42 while our P/B target multiple of 0.5x (in line with its past five-year average P/B) is \$0.44.

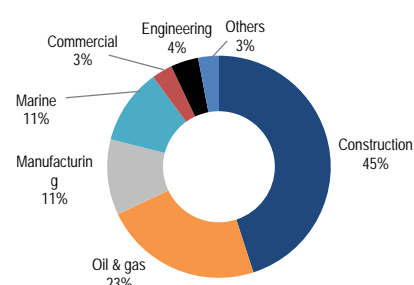
SHARE PRICE CATALYST

- More capacity expansions involving JVs which are more asset-light and require less capital intensity; evidence that overseas Chinese students have resumed international studies.

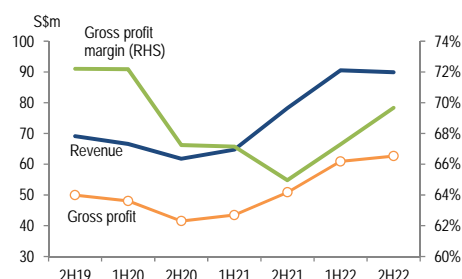
FIVE YEAR P/B CHART



WORKERS' ACCOMMODATION BY INDUSTRY



TREND IN HALF-YEARLY REVENUE AND GROSS PROFIT

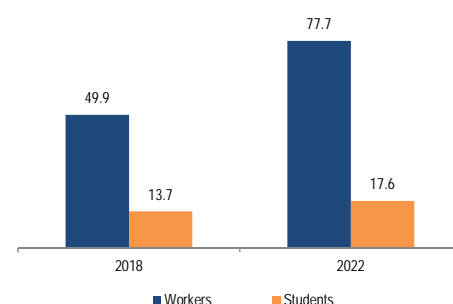


CHANGES TO EARNINGS FORECASTS

US\$m	2023E	2024E
NPAT – was	59.2	61.0
NPAT – is	59.4	67.2
Change	0.3%	10.0%

Source: UOB Kay Hian

SEGMENTAL PROFIT: COMPARING 2022 VS 2018



PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	180.5	185.7	190.7	193.8
EBITDA	118.4	112.2	116.6	120.0
Deprec. & amort.	3.7	10.8	12.5	14.3
EBIT	114.7	101.4	104.1	105.8
Associate contributions	8.9	8.2	8.4	8.5
Net interest income/(expense)	(28.3)	(33.3)	(25.9)	(25.9)
Pre-tax profit	95.3	76.3	86.6	88.4
Tax	(19.0)	(12.9)	(14.9)	(15.2)
Minorities	(4.9)	(4.0)	(4.6)	(4.7)
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	71.4	59.4	67.2	68.6
Net profit (adj.)	71.4	59.4	67.2	68.6

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	7.5	0.0	0.0	0.0
Other LT assets	1,448.5	1,450.5	1,437.3	1,437.3
Cash/ST investment	68.3	179.4	172.0	210.6
Other current assets	23.5	23.5	23.1	23.1
Total assets	1,547.8	1,653.4	1,632.4	1,671.0
ST debt	80.0	55.8	55.8	55.8
Other current liabilities	85.6	87.2	30.5	30.5
LT debt	583.1	683.3	683.3	683.3
Other LT liabilities	90.6	67.2	116.3	168.6
Shareholders' equity	686.9	734.4	721.0	707.3
Minority interest	21.6	25.6	25.6	25.6
Total liabilities & equity	1,547.8	1,653.4	1,632.4	1,671.0

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	103.0	100.4	58.6	104.9
Pre-tax profit	76.3	63.4	71.7	73.2
Tax	(7.2)	(12.9)	(14.9)	(15.2)
Deprec. & amort.	3.7	10.8	12.5	14.3
Associates	(8.9)	(8.2)	(8.4)	(8.5)
Working capital changes	12.0	1.2	(43.1)	0.0
Non-cash items	27.2	46.2	40.7	41.1
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(1.7)	(18.4)	(25.0)	(25.0)
Capex (growth)	(1.3)	(25.0)	(25.0)	(25.0)
Capex (maintenance)	(4.5)	0.0	0.0	0.0
Investments	3.6	6.6	0.0	0.0
Proceeds from sale of assets	0.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(100.2)	30.8	(39.3)	(39.6)
Dividend payments	(9.4)	(11.9)	(13.4)	(13.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	63.7	75.9	0.0	0.0
Loan repayment	(125.5)	0.0	0.0	0.0
Others/interest paid	(29.0)	(33.3)	(25.9)	(25.9)
Net cash inflow (outflow)	1.1	112.8	(5.7)	40.3
Beginning cash & cash equivalent	67.5	66.6	177.7	170.3
Changes due to forex impact	(0.3)	0.0	0.0	0.0
Ending cash & cash equivalent	68.3	179.4	172.0	210.6

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	65.6	60.4	61.2	61.9
Pre-tax margin	52.8	41.1	45.4	45.6
Net margin	39.6	32.0	35.2	35.4
ROA	4.6	3.7	4.1	4.2
ROE	10.6	8.4	9.2	9.6
Growth				
Turnover	26.2	2.9	2.7	1.6
EBITDA	49.6	(5.2)	4.0	2.9
Pre-tax profit	40.3	(19.9)	13.4	2.1
Net profit	35.6	(16.9)	13.1	2.1
Net profit (adj.)	35.6	(16.9)	13.1	2.1
EPS	35.6	(16.9)	13.1	2.1
Leverage				
Debt to total capital	48.3	49.3	49.7	50.2
Debt to equity	96.5	100.6	102.5	104.5
Net debt/(cash) to equity	86.6	76.2	78.6	74.7
Interest cover (x)	4.2	3.4	4.5	4.6

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