

COMPANY RESULTS

Centurion Corp (CENT SP)

1H24: Growth Outlook Undimmed For The Next Two Years

CENT delivered better-than-expected 1H24 core net profit of S\$53m (+48% yoy), driven by strong occupancies and positive rental revisions across both its PBWA and PBSA segments. We forecast strong volume growth for both segments over the next two years which, together with strong pricing trends, underpins our BUY rating. Target price upgraded to S\$0.85.

1H24 RESULTS

12M to 31 Dec (\$m)	1H23	1H24	% yoy	Remarks
Revenue	97.9	124.4	27.1%	- All assets saw positive rental reversions & occupancy rates
Gross profit	70.4	94.1	33.8%	
Net FV gains	4.2	61.6	NM	- FV gains on both PBWA and PBSA properties
Pre-tax profit	49.1	146.0	197.5%	- Associates saw FV gains on investment property as well
PATMI ex FV gains	36.0	53.4	48.2%	
Gross profit margin	71.9%	75.7%	+3.8ppt	
Pre-tax margin	50.1%	117.3%	+67.2ppt	
PATMI margin	39.1%	95.0%	+55.9ppt	

Source: Centurion Corp, UOB Kay Hian

RESULTS

- Handily beat expectations.** Centurion Corp (CENT) reported strong 1H24 revenue of \$124m (+27% yoy) and core net profit of S\$53m (+48% yoy) which beat our expectations. Its 3.8ppt expansion in gross profit margin to nearly 76% resulted from continued strong occupancies and positive rental revisions across all its asset classes. In addition, the company reported fair value gains on its investment properties as well as at the associate level, resulting in a near yoy tripling of its PATMI to S\$118m. An interim dividend of S\$0.015 per share was declared (1H23: S\$0.01/share).
- Solid growth outlook from a healthy pipeline with bullish guidance.** As seen in the table overleaf, CENT should see an 18% increase in the number of beds in its Purpose-Built Workers Accommodation (PBWA) segment by end-26 with 70% of this from Singapore. More impressively, its Purpose-Built Students' Accommodation (PBSA) could see a 31% increase by end-26 as well, albeit from a lower base number of beds compared to the PBWA segment. Most of the PBSA increase will come from Melbourne with a smaller number from Hong Kong, a new market for CENT that should start contributing by end-24. During the results briefing, it was evident that the company continues to have high expectations for occupancy rates across its asset classes due to a shortage of quality bed supply.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	180	207	226	241	248
EBITDA	118	209	194	146	150
Operating profit	115	205	191	143	146
Net profit (rep./act.)	71	153	155	93	97
Net profit (adj.)	71	153	155	93	97
EPS (S\$ cent)	8.5	18.2	18.4	11.0	11.5
PE (x)	7.7	3.6	3.6	5.9	5.7
P/B (x)	0.8	0.7	0.6	0.5	0.5
EV/EBITDA (x)	10.1	5.7	6.2	8.2	8.0
Dividend yield (%)	1.5	3.8	4.6	4.6	4.6
Net margin (%)	39.6	73.9	68.7	38.4	39.0
Net debt/(cash) to equity (%)	86.6	70.6	60.8	53.2	44.4
Interest cover (x)	4.2	5.6	5.6	5.6	5.7
ROE (%)	10.6	20.2	17.4	9.4	9.1
Consensus net profit	-	-	85	98	104
UOBKH/Consensus (x)	-	-	1.82	0.94	0.92

Source: Centurion corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.655
Target Price	S\$0.850
Upside	+29.8%
(Previous TP)	S\$0.770)

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 HK, UK and Australia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CENT SP
Shares issued (m):	CENT SP
Market cap (S\$m):	840.8
Market cap (US\$m):	550.7
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

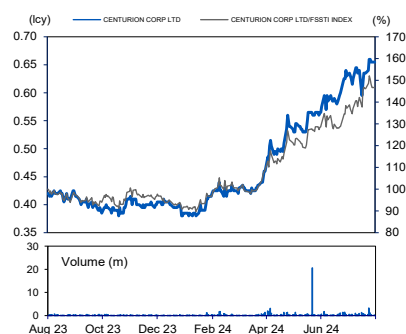
52-week high/low	S\$0.660/S\$0.380			
1mth	3mth	6mth	1yr	YTD
5.6	19.1	59.8	50.6	61.7

Major Shareholders

Centurion Properties P/L	50.6
Teo Peng Kwang	7.58
Loh Kim Kang	5.30

FY23 NAV/Share (S\$)	1.14
FY23 Net Debt/Share (S\$)	0.69

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Robust growth in its PBWA and PBSA segments with strong occupancies.** Both its PBWA and PBSA segments performed well with segmental profit growth of 35% and 37% yoy to S\$46m and S\$11m respectively (see chart on RHS). CENT's PBWA assets in Singapore are essentially full with 99% occupancy rate while those in Malaysia declined by 4ppt yoy to 90% due to asset enhancement initiatives. The company's PBSA assets in the UK had full occupancy at 99% (+9ppt yoy) while Australia registered 94% occupancy and is likely to hit full occupancy in the near term given that student arrivals in 2023 are set to be a new record for the country.
- Positive demand and rental rate outlook for PBWAs.** In the near to medium term, CENT's PBWA business in Singapore will continue to exhibit full occupancy given the construction sector's robust spending in the next 3-5 years. At its results briefing, management stated that its average rental rate per bed is around S\$450-500/bed vs some rates at S\$600/bed, thus implying some scope for positive rental rate reversions in the next 12-18 months. One positive overlay is that in both Singapore and Malaysia, authorities have put in place higher housing standards for migrant workers, thus highlighting CENT's assets in a positive light vs some of its smaller peers.
- PBSA expected to remain at healthy levels.** Occupancy rates at CENT's UK and Australian assets were at full or near full at 99% and 94% respectively in 1H24, with both geographic segments expected to remain high in the next 12-18 months due to lack of quality accommodation. As a result, the company stated that it is continuing to explore new opportunities to expand its portfolio, either via development projects or asset light ones. Management does not foresee new Australian visa regulations, which has materially increased visa fees, crimping demand for its PBSA assets.
- Solid balance sheet.** For 1H24, CENT had available cash and banking facilities totaling S\$91m. The company continues to lower its gearing levels: at end-1H24, CENT had a net gearing of 34% vs 43% in 1H23 and 38% at end-23. The company's interest coverage ratio was 4.7x (1H23: 3.4x) with an average long-term debt maturity of five years.

EARNINGS REVISION/RISK

- Upgrading earnings.** We nearly doubled our 2024F earnings to take into account the S\$61m fair value gain on the company's investment properties. Earnings for 2025 and 2026 have been raised by 6% and 9% to account for the new bed capacities in Malaysia, Singapore and Hong Kong, offset by the sale of two assets in the US.
- Potential for higher dividend payout.** CENT declared a 1H24 dividend of S\$0.015, implying a 26% dividend payout based on EPS of S\$0.0577 from its core business operations. We have maintained our current forecast dividend of S\$0.03 for the full year, but we believe that there is a high likelihood of an upside to S\$0.035 given the strong earnings, implying a 2024F yield of 5.3% based on Friday's closing share price.

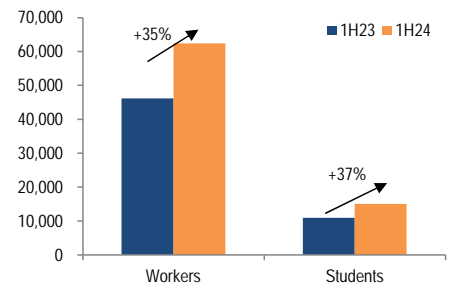
VALUATION/RECOMMENDATION

- Maintain BUY with a higher PE-based target price of S\$0.85** as we have rolled forward our valuation year to 2025. Our target PE multiple of 7.0x is 1SD above the company's past five-year average PE multiple. In our view, our target PE multiple is undemanding given the company's earnings growth over the next two years. We believe that the company's current metrics are inexpensive, trading at 2025F PE of 5.9x and 0.5x P/B. Ytd, CENT's 61.7% share price increase has easily outperformed the STI's 4.8% return and we expect continued outperformance in the next 12 months.

SHARE PRICE CATALYST

- Capacity expansions involving joint ventures which are more asset light and require less capital intensity; higher dividends in the year-end results.

1H24 SEGMENTAL PROFIT (\$'000)



Source: CENT

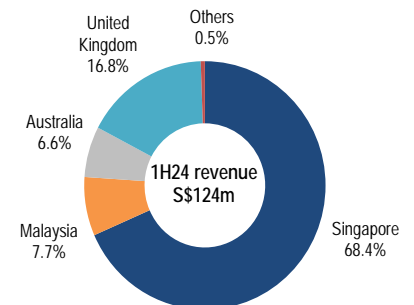
KEY GROWTH PROJECTS

Project	No. of beds	Completion
PBWA		
Westlite Ubi	1,650	Dec 24
Westlite Toh Guan	1,764	2026
Westlite Ubi	3,696	2026
Westlite Senai*	920	4Q24
Westlite JB Tech Park*	1,740	2025
Westlite Pasir Gudang*	950	2025
Westlite Sheung Shui	550	Nov 24
Sub-total PBWA	11,270	
PBSA		
dwell Prince Edward	66	3Q24
dwell Ho Man Tin	89	3Q24
dwell Melbourne	600	Pending final approval
New Melbourne project	575	Pending approval
Sub-total PBSA	1,330	
Total growth projects	12,600	

* Asset enhancement initiatives

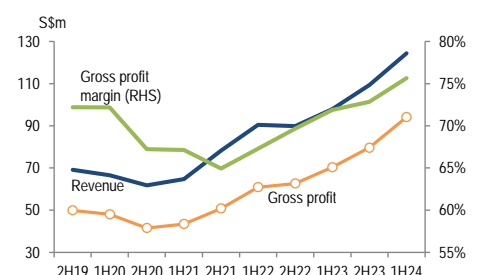
Source: CENT

1H24 REVENUE BY GEOGRAPHIC SEGMENT



Source: CENT

REVENUE AND GROSS PROFIT VS GROSS MARGIN



Source: CENT

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	207	226	241	248
EBITDA	209	194	146	150
Deprec. & amort.	4	4	4	4
EBIT	205	191	143	146
Associate contributions	27	40	9	11
Net interest income/(expense)	(37)	(35)	(26)	(26)
Pre-tax profit	195	196	125	131
Tax	(20)	(23)	(23)	(24)
Minorities	(23)	(17)	(10)	(11)
Preferred dividends	0	0	0	0
Net profit	153	155	93	97
Net profit (adj.)	153	155	93	97

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	123	116	129	129
Pre-tax profit	176	172	103	107
Tax	(11)	(23)	(23)	(24)
Deprec. & amort.	4	4	4	4
Associates	(27)	(40)	(9)	(11)
Working capital changes	10	7	6	3
Non-cash items	(28)	(3)	49	50
Other operating cashflows	0	0	0	0
Investing	(45)	(53)	(43)	(18)
Capex (growth)	(4)	(25)	(25)	(26)
Capex (maintenance)	(58)	(60)	(25)	0
Investments	13	32	7	8
Proceeds from sale of assets	3	0	0	0
Others	0	0	0	0
Financing	(72)	(60)	(51)	(51)
Dividend payments	(13)	(25)	(25)	(25)
Issue of shares	1	0	0	0
Proceeds from borrowings	55	0	0	0
Loan repayment	(77)	0	0	0
Others/interest paid	(39)	(35)	(26)	(26)
Net cash inflow (outflow)	5	3	35	60
Beginning cash & cash equivalent	67	73	74	108
Changes due to forex impact	3	0	0	0
Ending cash & cash equivalent	75	76	110	168

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	8	8	8	8
Other LT assets	1,554	1,639	1,686	1,712
Cash/ST investment	75	76	110	168
Other current assets	89	89	89	89
Total assets	1,725	1,812	1,892	1,976
ST debt	59	59	56	56
Other current liabilities	115	115	121	124
LT debt	599	599	599	599
Other LT liabilities	81	20	20	20
Shareholders' equity	826	956	1,023	1,094
Minority interest	46	63	73	84
Total liabilities & equity	1,725	1,812	1,892	1,976

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	100.7	86.0	60.6	60.6
Pre-tax margin	94.3	86.7	52.1	52.8
Net margin	73.9	68.7	38.4	39.0
ROA	9.4	8.8	5.0	5.0
ROE	20.2	17.4	9.4	9.1
Growth				
Turnover	14.8	9.0	6.7	2.8
EBITDA	76.3	(6.9)	(24.8)	2.7
Pre-tax profit	105.1	0.2	(35.9)	4.3
Net profit	114.4	1.3	(40.3)	4.3
Net profit (adj.)	114.4	1.3	(40.3)	4.3
EPS	114.4	1.3	(40.3)	4.3
Leverage				
Debt to total capital	43.0	39.2	37.4	35.7
Debt to equity	79.6	68.8	64.0	59.8
Net debt/(cash) to equity	70.6	60.8	53.2	44.4
Interest cover (x)	5.6	5.6	5.6	5.7

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