

COMPANY UPDATE

Centurion Corp (CENT SP)

A Stock To Accommodate Growth-Minded Investors

CENT reported stronger-than-expected 9M24 revenue growth of 25% yoy to S\$186.5m, driven by continued strong occupancies and positive rental revisions across both of its business segments. The company remains busy on the business development front by expanding into China in the build-to-rent space as well as bolstering its position in its Australian PBSA segment. We upgrade our 2024-26 EPS by 2-11%. Maintain BUY. Target price raised to S\$1.11.

WHAT'S NEW

- **Handily beating expectations again.** Centurion Corp (CENT) reported strong 9M24 revenue of S\$187m (+25% yoy) which formed over 82% of our full-year revenue estimate. Like its 1H24 results, the company's strong performance was attributed to strong occupancy rates and healthy rental revisions across its portfolio of Purpose-Built Workers Accommodation (PBWA) and Purpose-Built Student Accommodation (PBSA) assets with revenue growths of 27% and 20% yoy respectively.
- **Solid growth outlook from a healthy pipeline – guidance remains bullish.** As seen in the chart overleaf, CENT should see around 16% volume growth in both its PBWA and PBSA segments during 2H24-2H26. On our estimates, around 66% of the growth will come from PBWAs in Singapore. In addition, the company commented that it is currently exploring opportunities for a potential development of around 7,000 beds in Iskandar, Johor, which we believe depends on the progress of the Special Economic Zone.
- **Consistent insider buying this year.** In a positive sign of the company's near- to medium-term outlook, we note that its CEO and its co-chairman have both consistently bought the company's shares this year. Between them, they have purchased 2.39m shares at prices of S\$0.40-0.74/share between Mar and Sep 24.
- **Potential for higher dividend payout.** Recall that during its 1H24 results, CENT declared a 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 better-than-expected earnings, implying a 2024 yield of 3.6% based on yesterday's closing share price.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	180	207	233	253	272
EBITDA	118	209	198	153	164
Operating profit	115	205	195	150	161
Net profit (rep./act.)	71	153	158	98	107
Net profit (adj.)	52	68	97	98	107
EPS (S\$ cent)	6.2	8.1	11.5	11.7	12.8
PE (x)	15.2	11.7	8.3	8.1	7.4
P/B (x)	1.2	1.0	0.8	0.8	0.7
EV/EBITDA (x)	12.1	6.9	7.2	9.4	8.7
Dividend yield (%)	1.1	2.6	3.2	3.2	3.2
Net margin (%)	39.6	73.9	67.9	38.7	39.5
Net debt/(cash) to equity (%)	86.6	70.6	59.9	51.4	40.9
Interest cover (x)	4.2	5.6	5.7	5.9	6.3
ROE (%)	10.6	20.2	17.8	9.9	10.0
Consensus net profit	-	-	141	101	104
UOBKH/Consensus (x)	-	-	0.69	0.98	1.03

Source: Centurion Corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.95
Target Price	S\$1.11
Upside	+16.8%
(Previous TP)	S\$0.85

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):	798.7
Market cap (US\$m):	592.6
3-mth avg daily t'over (US\$m):	1.0

Price Performance (%)

52-week high/low S\$0.980/S\$0.375

1mth	3mth	6mth	1yr	YTD
13.1	31.0	74.3	131.7	134.6

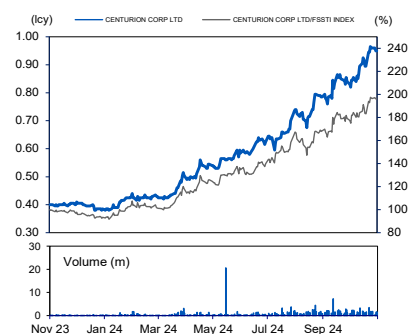
Major Shareholders

	%
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\$) 0.68

PRICE CHART



Source: Bloomberg

ANALYST(S)

Adrian Loh
+65 6590 6633
adrianloh@uobkayhian.com

STOCK IMPACT

REVENUE COMPARISON FOR 3Q24 AND 9M24 (S\$ '000)

	3Q23	3Q24	% chg	9M23	9M24	% chg
Revenue by business segment						
PBWA	40,125	49,521	23.4%	113,463	143,773	26.7%
PBSA	10,757	12,364	14.9%	35,016	42,127	20.3%
Others	165	211	27.9%	491	609	24.0%
Total	51,047	62,096	21.6%	148,970	186,509	25.2%
Revenue by geography						
Singapore	35,512	44,918	26.5%	99,268	130,039	31.0%
Malaysia	4,777	4,814	0.8%	14,685	14,343	-2.3%
Australia	3,950	4,382	10.9%	10,823	12,622	16.6%
United Kingdom	6,436	7,768	20.7%	23,026	28,617	24.3%
Others	372	214	-42.5%	1,168	888	-24.0%
Total	51,047	62,096	21.6%	148,970	186,509	25.2%

Source: CENT

- **New segment – Build-to-rent (BTR).** CENT announced the establishment of a JV with Xiamen City Home Apartment to design, build, or convert buildings into long-term professionally managed rental assets. The first project in Gaolin, Huli District, will offer around 1,000 apartments to be secured under master leases of 20 years, targeting fresh graduates and working professionals while the second project involves retrofitting a newly constructed residential block into 500 apartments under a 20-year master lease. Around 400 beds will go to market in 1Q25; however, we have not accounted for this in our estimates at present.

- **Solid balance sheet.** For 1H24, CENT had available cash and banking facilities totalling 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 have upgraded our earnings estimates for 2024-26 by 2-11% to account for slightly higher rental reversions as well as volume growth in PBSA for Australia. Note that our earnings estimates for 2024 include S\$61.6m in fair value gains reported during the company's 1H24 results; however, we have not factored in any such gains that may be reported during its 2024 annual results.

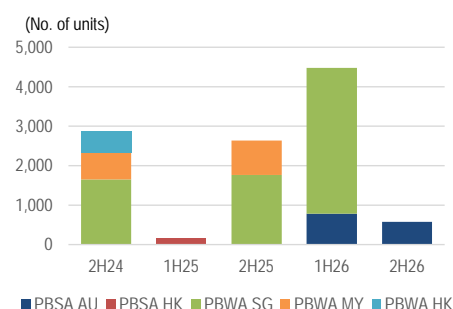
VALUATION/RECOMMENDATION

- **Maintain BUY with a higher PE-based target price of S\$1.11** (previously S\$0.85) because of our earnings upgrades outlined above. In addition, we have raised our target PE multiple to 8.7x (previously 7.0x) which is 0.5SD above the company's long-term average PE multiple of 6.9x (excluding 2019 which was affected by COVID-19). 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 8.1x and 0.8x P/B. Ytd, CENT's 135% share price increase easily outperformed the STI's total return, and we expect continued outperformance in the next 12 months.

SHARE PRICE CATALYST

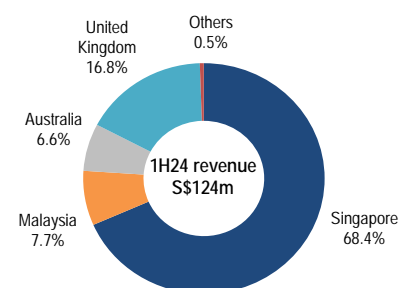
- Capacity expansions involving JVs which are more asset light and require less capital intensity; higher dividends in the year-end results.

CENTURION'S KEY GROWTH PROJECTS



Source: CENT

1H24 REVENUE BY GEOGRAPHIC SEGMENT



Source: CENT

CHANGES TO EARNINGS FORECASTS

S\$m	2024	2025	2026
NPAT - was	155	93	97
NPAT - is	158	98	107
Change	2.2%	5.6%	10.6%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	207	233	253	272
EBITDA	209	198	153	164
Deprec. & amort.	4	4	4	4
EBIT	205	195	150	161
Associate contributions	0	0	0	0
Net interest income/(expense)	27	40	9	11
Pre-tax profit	(37)	(35)	(26)	(26)
Tax	195	200	133	145
Minorities	(20)	(24)	(24)	(26)
Preferred dividends	(23)	(18)	(11)	(12)
Net profit	153	158	98	107
Net profit (adj.)	68	97	98	107

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	83	124	199
Other current assets	89	89	89	89
Total assets	1,725	1,818	1,907	2,008
ST debt	59	59	56	56
Other current liabilities	115	118	126	133
LT debt	599	599	599	599
Other LT liabilities	81	20	20	20
Shareholders' equity	826	959	1,032	1,114
Minority interest	46	63	74	86
Total liabilities & equity	1,725	1,818	1,907	2,008

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	123	123	137	145
Pre-tax profit	176	176	109	119
Tax	(11)	(24)	(24)	(26)
Deprec. & amort.	4	4	4	4
Associates	(27)	(40)	(9)	(11)
Working capital changes	10	10	8	7
Non-cash items	(28)	(3)	50	52
Other operating cashflows	0	0	0	0
Investing	(45)	(53)	(43)	(17)
Capex (growth)	(4)	(25)	(25)	(26)
Capex (maintenance)	13	32	7	9
Investments	3	0	0	0
Proceeds from sale of assets	(58)	(60)	(25)	0
Others	(72)	(60)	(51)	(51)
Financing	(13)	(25)	(25)	(25)
Dividend payments	55	0	0	0
Issue of shares	(77)	0	0	0
Proceeds from borrowings	(38)	(35)	(26)	(26)
Loan repayment	5	10	43	76
Others/interest paid	67	73	81	123
Net cash inflow (outflow)	3	0	0	0
Beginning cash & cash equivalent	75	83	124	199
Changes due to forex impact	123	123	137	145
Ending cash & cash equivalent	176	176	109	119

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	100.7	85.1	60.5	60.4
Pre-tax margin	94.3	85.8	52.5	53.5
Net margin	73.9	67.9	38.7	39.5
ROA	9.4	8.9	5.3	5.5
ROE	20.2	17.8	9.9	10.0
Growth				
Turnover	14.8	12.5	8.7	7.3
EBITDA	76.3	(4.9)	(22.7)	7.1
Pre-tax profit	105.1	2.4	(33.5)	9.3
Net profit	114.4	3.5	(38.0)	9.3
Net profit (adj.)	30.3	41.7	1.4	9.3
EPS	30.3	41.7	1.4	9.3
Leverage				
Debt to total capital	43.0	39.1	37.2	35.3
Debt to equity	79.6	68.6	63.4	58.7
Net debt/(cash) to equity	70.6	59.9	51.4	40.9
Interest cover (x)	5.6	5.7	5.9	6.3

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