

Singapore

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$0.425
Target price:	S\$0.63
Previous target:	S\$0.60
Up/downside:	48.2%
CGSI / Consensus:	1.6%
Reuters:	CNCL.SI
Bloomberg:	CENT SP
Market cap:	US\$265.3m
	S\$357.3m
Average daily turnover:	US\$0.05m
	S\$0.07m
Current shares o/s:	840.8m
Free float:	30.2%

*Source: Bloomberg

Key changes in this note

- FY24-25F EPS raised 0.1-1.9% on higher rental assumptions.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.8	6.3	14.9
Relative (%)	11.8	4.4	18.6

Major shareholders	% held
Centurion Properties Pte Ltd	50.6
Teo Peng Kwang	7.6
David Loh Kim Kang	5.3

Analyst(s)



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Centurion Corporation Ltd

Further positive rental reversions in FY24F

- CENT's 2H23 revenue and PATMI grew 22% and 29% respectively, reflecting stronger occupancies and positive rental reversions across all its markets.
- We see continued tailwinds, and expect further positive rental reversions in FY24F. CENT is actively exploring opportunities to expand its AUM.
- Reiterate Add as we see CENT riding on favourable industry dynamics amid ongoing regulatory reforms to improve migrant worker housing standards.

2H23: Strong occupancies and rental reversions

Thanks to stronger occupancies and positive rental reversions, Centurion (CENT) recorded 2H23 revenue of S\$109m (+12% hoh, +22% yoy) while core PATMI grew to S\$36m (+10% hoh, +29% yoy). We deem the results as slightly above expectations, with FY23 core PATMI (S\$69m, +21% yoy) coming in at 102%/103% of our/Bloomberg consensus estimates. Supported by stronger earnings, CENT declared a final DPS of 1.5Scts, bringing FY23 DPS to 2.5Scts (30% payout ratio), translating to 5.9% dividend yield.

Tailwind across business segments

CENT saw strong revenue growth across all geographies in 2H23, with Singapore/Malaysia/Australia/the UK revenues up 25%/7%/26%/21%. Revenue outlook for FY24F remains positive - while CENT notes that spot rents for worker dorms in Singapore have flattened, we think its strong rental reversions for Singapore will continue in FY24F as there remains a sizable gap between spot and average rents currently. We believe Singapore worker dorm rents will stay at high levels in the medium term, as supply remains constrained through 2030 with dorm operators having to carry out retrofitting works in response to Ministry of Manpower's (MOM) plan to de-densify dorms to improve worker living condition. Overseas, CENT said it expects occupancies for Australia to remain healthy for the academic year commencing Feb 2024.

Exploring opportunities to expand AUM

CENT's asset under management (AUM) hit S\$2bn as of end-FY23. Aside from multiple asset enhancement initiatives planned across its operating geographies, CENT is also actively exploring capital recycling and M&A opportunities to expand its AUM. In Malaysia, CENT inked a sale and leaseback agreement of two properties (9,111 bed capacity) with Kumpulan Wang Persaraan (KWAP) in Dec 2023; we think more could be recycled upon asset maturity for CENT to shift towards an asset-light model in Malaysia for capital to be deployed towards higher yielding markets and assets.

Reiterate Add

Reiterate Add as we see CENT riding the favourable industry dynamics amid ongoing regulatory reforms to improve migrant worker housing standards. Our TP rises to S\$0.63, based on a blended valuation (7.4x P/E and 40% discount to RNAV) as we roll over our valuation base year. Its valuation at FY25F P/E of 4.6x (1.5s.d below 10-year mean), or 0.4x P/BV, is undemanding in our view. Re-rating catalysts include continued strong rental reversion and successful execution of its capital recycling strategy. Downside risks include steeper increase in financing costs, and lower bed capacity utilization on increased supply.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues (S\$m)	180.5	207.2	225.8	232.8	237.2
Operating EBITDA (S\$m)	97.7	123.6	134.5	136.9	137.6
Net Profit (S\$m)	71.4	153.1	74.0	77.5	78.0
Normalised EPS (S\$)	0.068	0.082	0.088	0.092	0.093
Normalised EPS Growth	22.8%	21.3%	6.9%	4.7%	0.6%
FD Normalised P/E (x)	6.26	5.16	4.83	4.61	4.58
DPS (S\$)	0.010	0.025	0.026	0.028	0.028
Dividend Yield	2.35%	5.88%	6.21%	6.51%	6.55%
EV/EBITDA (x)	8.73	6.83	6.44	6.27	6.18
P/FCFE (x)	5.96	4.89	10.58	5.54	5.56
Net Gearing	84.0%	66.9%	65.5%	61.1%	57.2%
P/BV (x)	0.52	0.43	0.41	0.38	0.36
ROE	8.48%	9.15%	8.69%	8.57%	8.13%
% Change In Normalised EPS Estimates			1.88%	0.09%	
Normalised EPS/consensus EPS (x)			1.31	1.26	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Further positive rental reversions in FY24F

Figure 1: Results comparison

FYE Dec (\$\$ m)	2H23	2H23	yoy % chg	1H23	hoh % chg	FY23F	FY22	yoy % chg	Prev. FY23F	Comments
Revenue	109.3	89.9	22%	97.9	12%	207.2	180.5	15%	201.1	
Gross profit	79.6	62.6	27%	70.4	13%	150.0	123.6	21%	144.9	
GPM (%)	72.8%	69.7%		71.9%		72.4%	68.5%		72.0%	
Operating expenses	(17.1)	(14.5)	18%	(12.7)	35%	(29.7)	(27.9)	7%	(29.6)	
Operating profit	62.6	48.2	30%	57.7	8%	120.3	95.7	26%	115.3	
OPM (%)	57.2%	53.6%	7%	59.0%	-3%	58.1%	53.0%	9%	57.3%	
Finance costs	(18.8)	(16.6)	13%	(18.3)	3%	(37.1)	(28.3)	31%	(32.7)	
Associates' contribution	23.2	5.3	337%	4.2	451%	27.4	8.9	207%	10.0	
Net fair value gain/(loss)	79.4	9.4	741%	5.4	1365%	84.8	19.0	347%	5.4	
Profit before tax	146.4	46.4	216%	49.1	198%	195.4	95.3	105%	98.0	
Tax expense	(12.8)	(5.1)	149%	(6.7)	92%	(19.5)	(19.0)	3%	(19.4)	
Effective tax rate (%)	0.0%	0.0%		0.0%		-23.4%	-28.2%		-23.5%	
Reported PATMI	114.8	38.5	198%	38.3	200%	153.1	71.4	114%	73.3	
Core PATMI	36.2	28.1	29%	33.0	10%	69.2	57.1	21%	68.0	FY23 core PATMI slightly ahead of expectations at 102%/103% of our/Bloomberg consensus forecasts
Reported EPS (Scts)	13.7	4.6	198%	4.6	200%	18.2	8.5	114%	8.7	
Core EPS (Scts)	4.3	3.3	29%	3.9	10%	8.2	6.8	21%	8.1	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision

FYE Dec (\$\$ m)	New		Old		% change	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	225.8	232.8	213.2	223.8	5.9%	4.0%
Gross profit	162.7	166.0	154.2	161.6	5.5%	2.7%
Operating profit	132.0	134.4	122.4	127.8	7.9%	5.2%
Associate/JV contribution	8.0	9.8	10.0	10.0	-20.0%	-2.5%
Reported PATMI	74.0	77.5	72.7	77.4	1.9%	0.1%
Core PATMI	74.0	77.5	72.7	77.4	1.9%	0.1%
Reported EPS (Scts)	8.8	9.2	8.6	9.2	1.9%	0.1%
Core EPS (Scts)	8.8	9.2	8.6	9.2	1.9%	0.1%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Blended valuation methodology

Valuation methodology	Base value	Multiples	Value per share (\$\$)	Remarks
P/E	77.5	7.4	0.68	Based on 7.4x CY25F EPS (0.5 s.d. below CENT's historical average)
RNAV	0.97	40%	0.58	Based on 40% discount to RNAV
Average			0.63	
CENT's RNAV breakdown				
	Net property income (\$\$ m)	Cap rate (%)	Value (\$\$ m)	
PBWA Singapore	61.1	6.8%	899.2	
PBWA Malaysia	11.7	7.8%	150.5	
PBSA UK	13.2	6.1%	216.4	
PBSA Australia	6.5	6.3%	102.9	
Other assets			146.2	
Less: Net debt			-657.2	
Less: Non-controlling interests			-45.9	
RNAV (\$\$ m)			812.0	
RNAV per share (\$\$)			0.97	

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS



ESG in a nutshell

As an operator of purpose-built worker accommodation (PBWA) and purpose-built student accommodation (PBSA), CENT's business model of centralised quarters is a method to ensure quality and systematic arrangement of accommodation, in our view. The Covid-19 pandemic had unveiled the shortfalls in workers' accommodation standards in various countries and highlighted the need for urgent regulatory reforms to improve the overall standards of workers' housing and amenities. Countries such as Malaysia and Singapore are expediting efforts to tightly regulate workers' accommodation standards, which we think bodes well for professional dormitory managers like CENT.

Keep your eye on

Both the Malaysia and Singapore governments have in recent years introduced improved standards for workers' accommodations. Singapore's Ministry of Manpower (MOM) announced in Oct 2023 a Dormitory Transition Scheme (DTS) to improve existing worker dormitories' living conditions and resilience against any potential future pandemics. Dormitories approved before Sep 2021 can transition to the Interim Dormitory Standards (IDS), which are less comprehensive than the New Dormitory Standards (NDS) applicable for newer dorms. The IDS (to be complied by 2030) include specifications such as a maximum of 12 residents per room, a minimum living space of 3.6 square meters per resident, ensuite toilets and showers, and stricter isolation facility requirements during normal and pandemic times.

Implications

We believe it is important to comply with the latest government regulations. CENT has already complied with Malaysia's latest standards as of Jan 2022 and has asset enhancement initiatives planned to meet Singapore government's interim standards for existing dormitories (to be implemented between 2027 and 2030).

ESG highlights

Aside from fulfilling the basic needs of workers, CENT has an active calendar of events for migrant workers to ensure holistic residential life experiences as it believes that physical, social, and mental well-being is key to having an active life beyond work.

Implications

As a provider of quality worker accommodations, we believe CENT can benefit from corporates' growing awareness of the need to improve migrant workers' welfare.

Trends

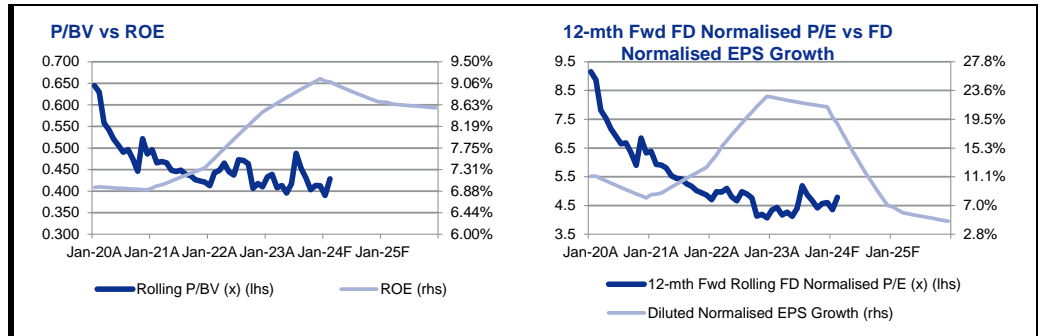
CENT's electricity consumption intensity and water intensity have fluctuated in recent years but generally remained at similar levels

Implications

We would like to see CENT more proactively introducing new initiatives to reduce its electricity consumption intensity or explore feasibility studies to expand its use of renewable energy to further reduce its carbon footprint.

SOURCES: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	180.5	207.2	225.8	232.8	237.2
Gross Profit	123.6	150.0	162.7	166.0	167.6
Operating EBITDA	97.7	123.6	134.5	136.9	137.6
Depreciation And Amortisation	(3.7)	(3.5)	(3.5)	(3.5)	(3.5)
Operating EBIT	94.1	120.0	131.0	133.4	134.1
Financial Income/(Expense)	(28.3)	(37.1)	(36.8)	(36.8)	(36.8)
Pretax Income/(Loss) from Assoc.	8.9	27.4	8.0	9.8	9.8
Non-Operating Income/(Expense)	6.3	1.2	1.0	1.0	1.0
Profit Before Tax (pre-EI)	80.9	111.5	103.2	107.4	108.1
Exceptional Items	14.3	83.9	0.0	0.0	0.0
Pre-tax Profit	95.3	195.4	103.2	107.4	108.1
Taxation	(19.0)	(19.5)	(23.8)	(24.4)	(24.6)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	76.3	175.9	79.4	83.0	83.5
Minority Interests	(4.9)	(22.8)	(5.4)	(5.5)	(5.5)
Prof. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	71.4	153.1	74.0	77.5	78.0
Normalised Net Profit	61.9	92.0	79.4	83.0	83.5
Fully Diluted Normalised Profit	57.1	69.2	74.0	77.5	78.0

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	97.7	123.6	134.5	136.9	137.6
Cash Flow from Inv. & Assoc.	(8.9)	(27.4)	(8.0)	(9.8)	(9.8)
Change In Working Capital	12.0	9.9	(26.0)	3.0	2.3
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(18.2)	(8.1)	(27.8)	(26.1)	(26.0)
Net Interest (Paid)/Received	27.5	35.6	35.8	35.8	35.8
Tax Paid	(7.2)	(10.7)	(23.8)	(24.4)	(24.6)
Cashflow From Operations	103.0	122.8	84.8	115.5	115.3
Capex	(5.9)	(61.4)	(52.0)	(52.0)	(52.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	4.2	16.1	1.0	1.0	1.0
Cash Flow From Investing	(1.7)	(45.3)	(51.0)	(51.0)	(51.0)
Debt Raised/(repaid)	(41.3)	(4.4)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(8.4)	(12.6)	(22.2)	(23.3)	(23.4)
Preferred Dividends					
Other Financing Cashflow	(29.3)	(32.9)	(36.8)	(36.8)	(36.8)
Cash Flow From Financing	(79.0)	(49.9)	(59.0)	(60.1)	(60.2)

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	68	75	49	54	58
Properties Under Development					
Total Debtors	13	12	19	19	19
Inventories	0	0	0	0	0
Total Other Current Assets	10	77	77	77	77
Total Current Assets	92	164	145	150	155
Fixed Assets	7	8	6	5	3
Total Investments	1,444	1,551	1,609	1,669	1,729
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	4	2	2	2	2
Total Non-current Assets	1,456	1,561	1,618	1,676	1,734
Short-term Debt	80	59	59	59	59
Current Portion of Long-Term Debt					
Total Creditors	55	80	61	64	67
Other Current Liabilities	30	35	35	35	35
Total Current Liabilities	166	174	155	158	161
Total Long-term Debt	583	599	599	599	599
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	70	58	58	58	58
Total Non-current Liabilities	653	657	657	657	657
Total Provisions	21	23	23	23	23
Total Liabilities	839	853	834	838	840
Shareholders' Equity	687	826	878	932	986
Minority Interests	22	46	51	57	62
Total Equity	708	872	929	989	1,049

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	26.2%	14.8%	8.9%	3.1%	1.9%
Operating EBITDA Growth	28.4%	26.4%	8.9%	1.8%	0.5%
Operating EBITDA Margin	54.2%	59.6%	59.6%	58.8%	58.0%
Net Cash Per Share (S\$)	(0.71)	(0.69)	(0.72)	(0.72)	(0.71)
BVPS (S\$)	0.82	0.98	1.04	1.11	1.17
Gross Interest Cover	3.32	3.24	3.56	3.62	3.64
Effective Tax Rate	19.9%	10.0%	23.1%	22.7%	22.7%
Net Dividend Payout Ratio	14.7%	30.4%	30.0%	30.0%	30.0%
Accounts Receivables Days	31.23	21.77	24.63	29.55	29.72
Inventory Days	1.60	1.67	1.10	1.04	1.00
Accounts Payables Days	324.9	430.2	406.8	340.4	343.0
ROIC (%)	(270%)	(238%)	(821%)	1567%	3305%
ROCE (%)	6.69%	8.15%	8.29%	8.14%	7.89%
Return On Average Assets	5.77%	7.89%	6.66%	6.67%	6.48%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
PBWA Malaysia bed capacity	26,313.0	27,373.0	27,373.0	30,033.0	30,033.0
PBWA Singapore bed capacity	33,898.0	34,786.0	34,786.0	34,984.8	34,984.8
PBSA Australia bed capacity	920.0	911.0	911.0	911.0	911.0
PBSA UK bed capacity	2,807.0	2,786.0	2,786.0	2,786.0	2,786.0
PBWA Malaysia occupancy	0.8	0.9	0.9	0.9	0.9
PBWA Singapore occupancy	1.0	1.0	1.0	1.0	1.0
PBSA Australia occupancy	0.7	0.9	0.9	0.9	0.9
PBSA UK bed occupancy	0.9	0.9	0.9	0.9	0.9

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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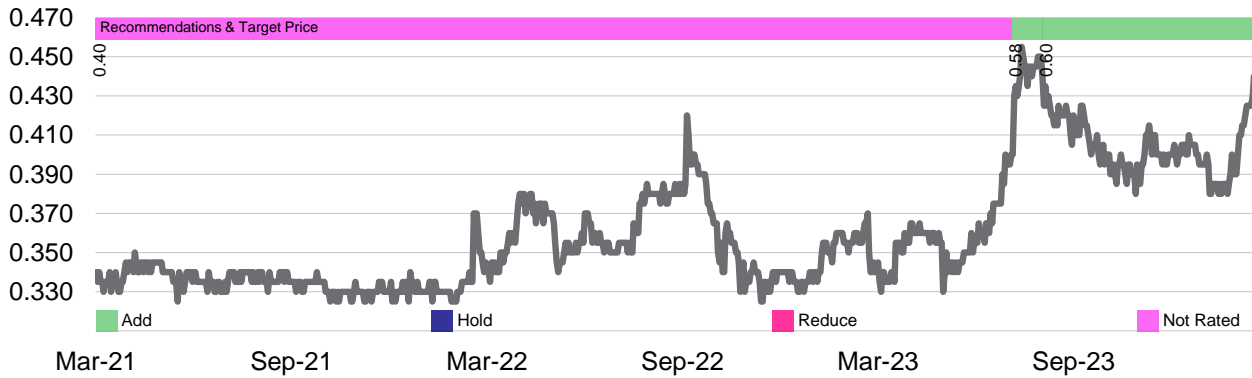
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)

Centurion Corporation Ltd (CENT SP)

— Price Close



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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