KGI CHINA DEVELOPMENT FINANCIAL

Centurion Corp Ltd

(CENT SP/OU8.SI)

Centuries of Growth

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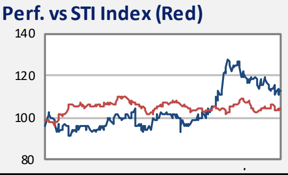
- We assume coverage of Centurion with an Outperform recommendation. Our S$0.56 target price is based on a DCF valuation. Centurion showed an 8% YoY growth in 1H23 revenue to S$97.9mn due to strong occupancies and positive rental revisions across all the Purpose-Built Workers Accommodations (PBWAs) and Purpose-Built Student Accommodations (PBSAs).
- Despite this rise in YoY revenue, we anticipate revenue figures to show a larger YoY increase in 2H23, as we expect rental revisions to be better reflected in the rental collected in the second half of the year.

Outperform - Initiation			
Price as of 12 Oct 23 (SGD)	0.40	**Performance (Absolute)**	
12M TP ($)	0.56	1 Month (%)	-2.4
Previous TP ($)	-	3 Month (%)	3.7
Upside, incl div (%)	(5.1)	12 Month (%)	17.2
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	336		
Issued Shares (mn)	841		
Vol - 3M Daily avg (mn)	0.5		
Val - 3M Daily avg ($mn)	0.2		
Free Float (%)	30.3%		
Major Shareholders		**Previous Recommendations**	
Centurion Properties Pte Lt	50.6%		
Teo Peng Kwang	7.6%		
Loh Kim Kang	5.3%		



Financials & Key Operating Statistics

YE Dec (S$ m)	2021	2022	2023F	2024F	2025F
Revenue	143,017	180,450	204,186	216,765	233,768
PATMI	55,797	76,280	95,901	103,105	106,233
EPS (cents)	1.92	(0.24)	1.96	2.19	2.58
EPS growth (%)	7.5	(112.4)	–	11.6	17.8
DPS (Sing cents)	1.7	0.6	1.2	1.8	2.1
Div Yield (Y%)	4.3%	1.6%	2.9%	4.4%	5.2%
Net Profit Margin (%)	26.4%	(2.8%)	27.2%	27.2%	27.2%
Net Gearing (%)	(48.3%)	(71.8%)	(76.1%)	(81.8%)	(88.3%)
Price P/B (x)	4.28	5.27	4.77	4.54	4.29
ROE (%)	20.5%	-3.1%	23.4%	24.9%	27.7%

Source: Company data, KGI Research

Occupancy recovery. With migrant workers returning to Singapore, post-covid, we have witnessed a significant inflow of foreign workers to complete construction on buildings that were halted due to the pandemic. The sudden wave of workers has led to a strong incline in demand for housing. However, due to the limited land available in Singapore, there is a limited number of beds available for rent to such companies that need to hire workers from overseas. Hence, there has been a price revision for such dormitories due to the shortage of available beds.

Student dormitory revival. International and local students have once again flocked to the tertiary schools in the United Kingdom and Australia to continue their education. With physical classes resumed, students are again on the hunt for accommodations that are in good locations, look good and value for money. However, due to the shortage of such properties out for rent, there has also been a surplus in demand for such properties, and hence the sudden increase in prices for logging.

Shown resilience. During the Covid-19 period, Centurion was slightly affected by the restrictions due to a decline in rental in its students dormitories and additional restrictions imposed on its worker dormitories in Singapore by authorities to reduce the spread of the virus. Despite an increase in temporary build dormitories allowed during that period, there was no drastic increase in beds due to most of those being used to isolate Covid-19 workers.

Increase in rental reversions. Due to the shortage of both worker and student accommodations, along with a surge in demand, accommodation management centres like Centurion have been able to benefit from higher rental rates per bed/per room. The increase has, in turn, boosted their overall rental revenue. However, this may be partially offset by the rising utilities and employment costs. Additionally, the impact of these rental reversions will only be fully reflected in the financial accounts by the end of FY23 or 1H24, as rental rates for workers' dormitories are based on yearly contracts, which start in different months with different companies, and rental rates for student accommodations are refreshed every 6 months, coinciding with the transition between semesters. As a result, most of the rental reversion impact has not yet been fully accounted for in the financial statements, but we will soon see its full impact.

Delisting in Hong Kong. Centurion Corp received approval on 18 July 2023 from the Hong Kong Stock Exchange (HKEX) for its proposed delisting. This decision is subject to shareholder approval at an extraordinary general meeting. It intends to exit the HKEX due to regulatory compliance burdens while maintaining its presence on the Singapore Exchange. Shareholders will have the option to continue holding shares privately or trade them on the Singapore bourse after the delisting, increasing cost savings for the company.

Valuation & Action: We initiate an Outperform recommendation with a TP of S$0.56, based on a Discounted Cash Flow (DCF), with a terminal growth rate of 2.0% and a WACC of 5.2%. With expansion plans underway, the winning of a new PBWA alongside higher rental reversions seen in its multiple geographical PBWAs and PBSAs we anticipate higher revenue growth figures in the second half of the year.

Risks: Margin pressure due to competition and lower-than-expected new order wins.

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Company Background

Centurion Corporation Limited, a Singapore-listed company, specialises in owning and operating worker and student accommodation assets. It ranks among Singapore's largest owner-operators of high-quality worker accommodations in Singapore and Malaysia. Additionally, the company manages student accommodation properties across Singapore, Australia, the United Kingdom, and the United States.

Centurion's business thrives due to the rising demand and limited supply of quality accommodation for both migrant workers and students in the regions it serves. The company has strategically diversified its asset portfolio across five countries, reducing risks associated with any single market.

Centurion maintains a strong commitment to quality, continuously improving its properties to meet evolving regulatory standards and industry best practices. This dedication has resulted in high occupancy rates and robust revenue growth.

Upcoming properties:

1. Centurion and Lian Beng have successfully secured a JTC tender for leasing land at Ubi Avenue 3, where they plan to establish a foreign workers' dormitory through their joint venture (JV). The tendered price for the land acquisition stands at approximately S$40.2 million. In this collaboration, Centurion holds a majority stake of 51 percent, while Lian Beng owns the remaining 49 percent of the JV company. Centurion is set to invest approximately S$43.4 million into the JV, encompassing the lease cost and property development expenses, to be covered by a combination of internal resources and loans. Likewise, Lian Beng will also finance its share of the JV through internal resources and borrowings.
2. Centurion Properties, the parent company of Centurion Corporation listed on the Singapore Exchange, is planning an A$132.17 million student accommodation complex in Sydney through its Australian unit. The project, located at 17-21 Lachlan Avenue and 163 Herring Road in Macquarie Park, will offer 732 units, including cluster apartments, standard studios, and premium studios. It strategically sits near the Macquarie University campus and a metro station, providing convenient access to Sydney's central business district.

Centurion's response to the Ministry of Manpower's (MOM) initiative to enhance dormitory standards is as follows:

1. Between 2027 and 2030, Centurion will retrofit five Purpose-Built Dorms (PBDs) out of its nine existing facilities in Singapore to align with the Dormitory Transition Scheme (DTS) requirements. This includes meeting stricter criteria for isolation facilities.
2. The remaining four facilities managed by Centurion are quick-build dormitories, and they already comply with the higher New Dormitory Standards (NDS).
3. Centurion has been provisionally approved to redevelop two of its purpose-built dormitories, Westlite Toh Guan and Westlite Mandai, at an estimated cost of S$250 million. This redevelopment will expand bed capacity, meeting higher New Dormitory Standards (NDS). The goal is to provide this additional bed supply to the market before the 2027 transition period, enabling gradual retrofitting of other parts of Centurion's dormitories with minimal disruptions to customers. The exact bed capacity for these redevelopments is yet to be confirmed, and the project will be financed through internal resources and bank borrowings.

Centurion intends to meet either the interim DTS standards or, when feasible, the higher NDS standards, to provide improved dormitory facilities with minimal marketplace disruption while maintaining operational bed capacities to support industry and employers. The estimated reduction in total PBD bed capacity in Singapore, based on retrofitting and redevelopment plans, falls within the range of 3% to 11%, excluding the sixth new PBD being constructed at Ubi Avenue 3 and Quick-Build Dormitories. Additionally, the new 1,650-bed PBD at Ubi Avenue 3 being developed, will meet the higher NDS specifications and is projected to be finalised in 2025.

Outlook

Shortage of Singapore Dormitories

As of July 2023, Singapore faced a persistent shortage of bed spaces for migrant workers, limiting the growth of foreign manpower for the next few years. Despite efforts to add around 17,000 new dormitory beds since December 2022, the housing demand has surged due to increased worker arrivals following the reopening of the economy in January 2022. This demand surge is driven by employers hiring more foreign workers as Singapore's economy recovers from the COVID-19 impact. As of May 2023, approximately 434,000 foreign work permit holders are in the construction, marine, and process sectors, marking significant increases compared to pre-COVID-19 levels in 2019.

Rising demand, coupled with increasing operating costs, has led to a substantial increase in median monthly rent for commercial dormitory beds. Rent has surged from S$280 per worker in Q1 2021 to S$420 per worker in Q1 2023, with some beds commanding prices exceeding S$600 per month. To address this situation, the government has introduced measures like allowing employers to rent out spare beds in factory-converted dorms (FCDs), converting quarantine and isolation facilities into commercial beds, and encouraging the construction of temporary quarters (CTQs) at worksites. However, the Ministry of Manpower (MOM) emphasizes the need to restrain the demand for migrant worker housing. MOM encourages employers to secure housing for workers before their arrival in Singapore and consider building their own worker housing, such as CTQs. Not only are rental rates driven by the current shortage, but also by increased financing and operational costs for dorm operators. Dormitory Association Singapore Limited (DASL) advises its members to consider sustainable pricing adjustments. Nevertheless, challenges in the bed supply situation may persist in the foreseeable future, with new purpose-built dorms (PBDs) not expected until 2025. While the high rental rates have spurred productivity improvements for some construction firms, smaller builders face difficulties implementing such measures and remain reliant on dorm operators. The consensus is that without intervention, the situation will not improve in the short run, leading to even higher prices.

According to the MOM, as of September 2023 the List of migrant worker dormitories that can accommodate 1,000 or more residents licensed (Class 4) in accordance with the Foreign Employee Dormitories Act (FEDA), consists of a total of 53 licensed dormitories, 7 of which are for non-commercial usage while the remaining 46 are commercial. On 11 October 2023, the MOM announced an initiative to enhance the living conditions of migrant workers in Singapore. They plan to upgrade 1,000 dormitories to higher standards by 2030 under the Dormitory Transition Scheme (DTS), and these dorms will align with new standards (NDS) by 2040. Notable changes include limiting each room to a maximum of 12 residents, increasing living space, and mandatory en-suite toilets. Most existing dormitories are expected to adopt the DTS by 2030, with some exceptions. MOM is considering providing financial support to defray retrofitting costs, although the exact amount remains undisclosed. This transition plan aims to elevate the living standards of worker dormitories, considering existing infrastructure, potential disruption to bed supply, and its impact on worker inflow. The government has also taken steps to improve healthcare and mental well-being for migrant workers, including setting up a new primary healthcare system and creating the Assurance, Care and Engagement Group (Ace) to engage with migrant workers and resolve issues related to living conditions. Centurion stands to benefit significantly from the Singapore government's dormitory transition plans, allowing them to expand dormitory sizes and access financial support through the approval process.

Malaysian Dormitories

With the introduction of the Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446), a new worker accommodation law, and the enforcement of the law. Malaysian worker accommodations have been facing challenges in complying with these regulations. Centurion, as a Singapore-regulated firm, has ensured that their Malaysian dormitories offer a similar level of quality, with better facilities compared to other available worker accommodation options in Malaysia.

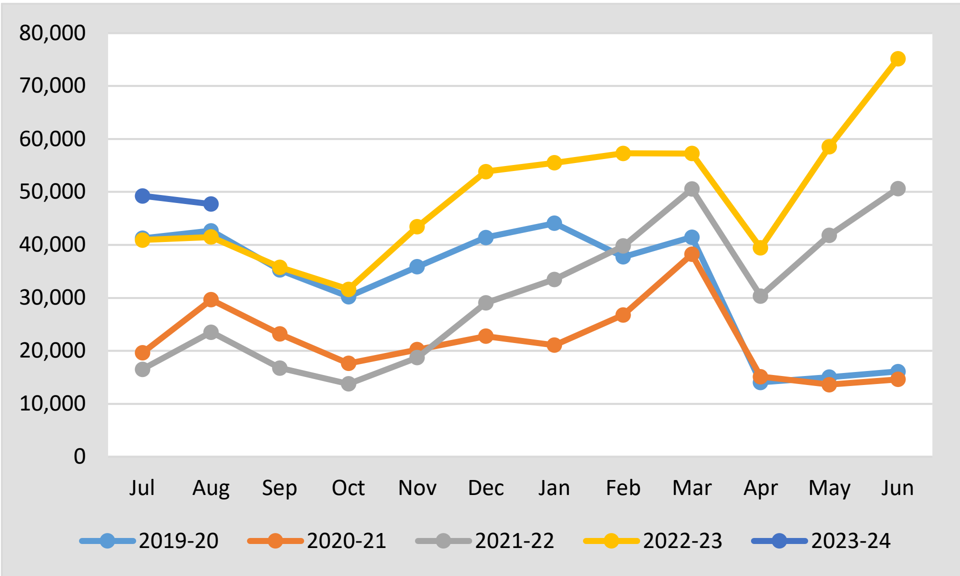
The Malaysian government has intensified its efforts by conducting spot checks and imposing fines on companies that fail to comply with the enforced rules. As a result, companies have no choice but to relocate their workers to well-managed dorms, as those run by Centurion in Malaysia. As the government continues to crack down, there will be a growing demand for better-managed dorm facilities, despite higher costs incurred by companies which seek to avoid government fines.

Australia Student Accommodation

With a surge in demand reported by the Australian Student Accommodation Council, international student numbers reached 613,217 in March 2023, a 27% increase from the previous year. The student housing market is valued at AUD 10 billion, growing at a 17% compound annual rate. However, the current supply of student beds falls short, with 60,000+ on-campus and 90,000 off-campus beds managed by private providers. Private rentals and homestays provide more options, but rising rental costs underscore the need for affordable housing.

CBRE expects 8,000 additional purpose-built student accommodation (PBSA) rooms in Australia between 2023 and 2026, a 7% increase. Despite the estimated 7% PBSA room increase, rapid international enrollment recovery (6% below pre-COVID levels as of April 2023) suggests an ongoing shortage. Therefore, the Student Accommodation Council has called for government support to encourage more PBSA construction. Experts urge government support for PBSA projects, similar to build-to-rent developments, to alleviate the demand.

Figure 1: Monthly number of student visa applications lodged



Source: Department of Home Affairs Australia, KGI Research

Centurion Properties is investing AUD 132.17 million (US$91.5 million) to construct a 732-unit student housing complex near Sydney's Macquarie University Campus. This investment addresses the rising demand for quality student accommodations, especially as international students return post-COVID-19. Existing apartment blocks will be replaced to provide various room options and communal facilities. It aligns with Centurion's global expansion in student housing, anticipating heightened demand from international students near universities and its potential impact on the private rental market.

United Kingdom Student Accommodation

Asian investors, particularly from Singapore and Malaysia, are increasingly investing in the UK's student accommodation market due to a persistent shortage of student housing. Q Investment Partners and Soilbuild, both Singapore-based firms, formed a £200 million investment platform in March to develop UK student housing. Other Asian investors like GIC and City Developments have also entered the sector in recent years.

The UK is grappling with a shortage of over 350,000 student beds across 30 major university towns, and this gap is expected to persist for the next decade due to factors such as a lack of affordable homes and university investment in student housing. The demand is further driven by international students, particularly from China and India, who attracted by favorable visa policies and opportunities to work in the UK.

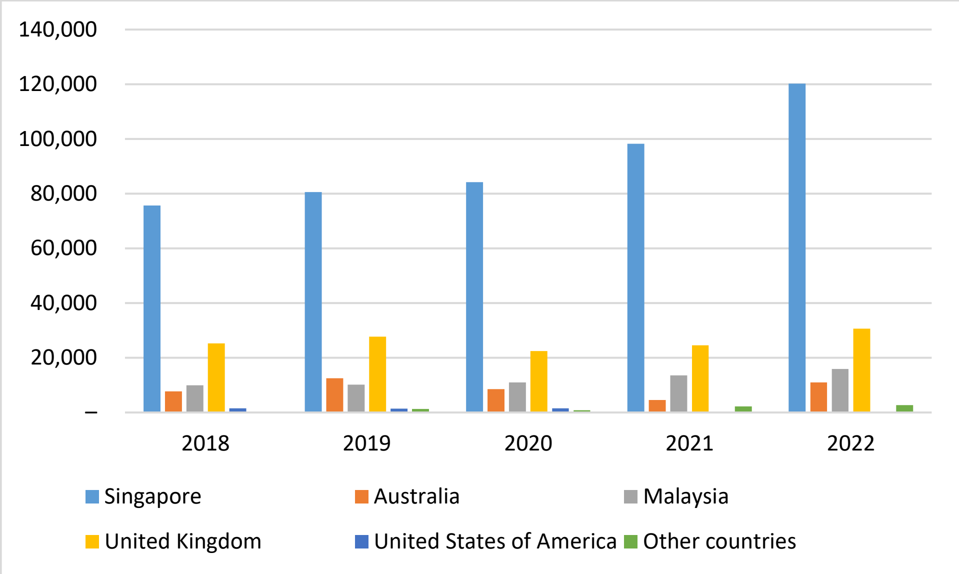
A survey by property agent Savills has shown that the number of available student homes in the UK has decreased by 24.5%, exacerbating students' accommodation challenges. Despite this, the number of students in the country has increased by 6.3% compared to the pandemic period. High university application rates are intensifying competition in rental markets. Real estate adviser CBRE estimates that over 350,000 purpose-built student beds are needed in the UK to meet accommodation demand, representing 34% of the more than one million students expected to need housing in the next academic year. Rent prices have risen significantly, especially in London, with a 12.8% increase in the past year. Durham is facing the most severe limitations among university towns, with a significant drop in available three-bedroom and four-bedroom homes.

The UK's purpose-built student accommodation (PBSA) sector has received nearly €1 billion in debt capital through recent loans. Aareal Bank provided £380 million (€442 million) of refinancing capital to a student housing portfolio owned by Greystar, PIMCO Prime Real Estate, and Canada's Public Sector Pension Investment Board. Legal & General Investment Management issued a £400 million loan to PBSA operator Unite for refinancing 23 PBSA assets across the UK. The need for new student homes is high, driven by growing student numbers and a supply crunch, with Savills predicting a 7% rental growth in 2023-2024 due to supply shortages and an increased student population.

Investment thesis

2H23 rental reversion impact. Rental prices are on the rise, and the full impact will be reflected in 2H23. In previous years, rental revenue decreased due to lower rates compared to the current year. The return of foreign workers post-COVID has created a shortage of dormitory beds, causing prices to surge by around 15% to S$400. Centurion, owning a significant share of dormitories in compliance with government regulations, stands to benefit from the shortage by capitalising on rising rental rates. Additionally, there's increased demand and prices for student accommodations as students return to studying abroad.

Figure 2: Historical geographical revenue by country



Source: Company, KGI Research

Strong dormitory demand. Singapore grapples with a persistent shortage of dormitory spaces for migrant workers, posing challenges for foreign manpower growth over the next two years. Despite the additional 17,000 new beds since December 2022, the rising demand, driven by the reopening of the economy in January 2022, continues to outpace supply. The Ministry of Manpower is actively encouraging employers to decrease their reliance on foreign labor by enhancing productivity and developing their worker housing, like construction temporary quarters (CTQs).

This housing scarcity has a notable impact on the construction industry, resulting in a significant increase in rental rates for dorm beds. Although the government is taking measures to increase dormitory bed supply, new purpose-built dorms (PBDs) won't be available until 2025. Furthermore, the escalating rental rates are a reflection of the increasing financing and operational costs for dorm operators.

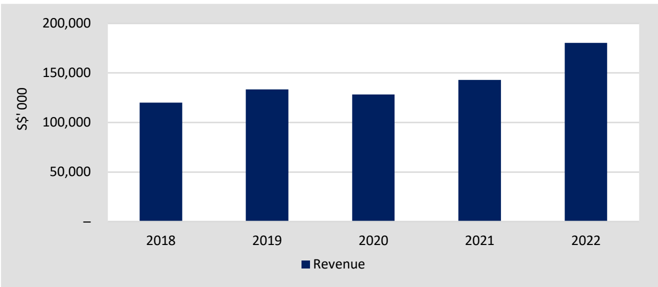
While efforts are being made to improve conditions, migrant workers in Singapore have reported better living conditions compared to the pre-pandemic era, with cleaner facilities and more spacious rooms. This improvement stems from the expansion of the Foreign Employee Dormitories Act (FEDA), which now covers approximately 1,500 dormitories and enforces higher standards. However, some dorms still grapple with challenges related to cleanliness and overcrowding, especially in communal areas like kitchens and toilets. Authorities are in the process of developing a transition plan to ensure existing dormitories meet these improved standards while taking into account the impact on bed supply and worker inflow.

Nonetheless, sustainability remains a primary concern as costs continue to rise and, demand for worker housing keeps growing. It's important to address these challenges to ensure the welfare and accommodation needs of migrant workers in Singapore are met effectively.

Sale of US assets. Centurion Corporation suspended the sale process of its US portfolio assets, held under the Centurion US Student Housing Fund, citing uncertainties in the market conditions and prevailing interest rate environment. The assets within the fund currently exhibit high occupancy rates and favourable rental reversions for the 2023/24 academic year, while anticipating robust market demand for the subsequent 2024/25 academic year. As a result of investor approval, the fund's term has been extended by two years, now concluding on 19 November 2024. This strategic review aligns with Centurion Corp's ongoing efforts to streamline and optimise its asset portfolio.

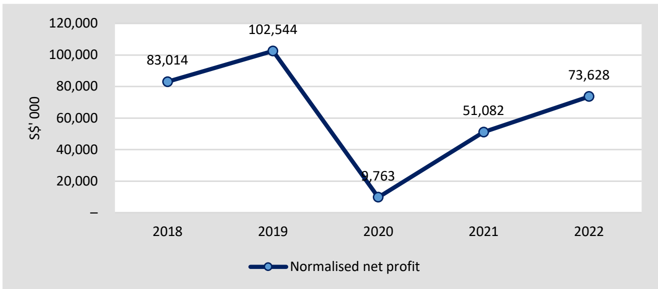
Lightening of its assets. Centurion Corporation has successfully divested its property in Seoul, South Korea, for a sum of KRW 21.3 billion, equivalent to approximately S$21.5 million, as part of its ongoing asset portfolio rationalisation strategy. This move underscores the company's commitment to concentrate its efforts on countries where it can expand and enhance its operations. The property, situates at 188-5 Hoegi-ro, Dongdaemun-gu, is owned by the joint venture entity IGIS Centurion No 238 Professional Investors Private Real Estate Investment, in which Centurion's wholly owned subsidiary, Centurion Overseas Investments, holds a majority 55% stake. As per Centurion's audited financial statements as of December 31, 2022, the property's fair value was assessed at KRW 21.4 billion.

Figure 3: Revenue



Source: Company, KGI Research

Figure 4: Normalised net profits



Source: Company, KGI Research

Valuations and peer comparison

We value Centurion at S$0.56 based on DCF. Our DCF-based valuation utilises a conservative set of assumptions, with a WACC of 5.2%, and a terminal value derived based on a 2.0% terminal growth rate.

With a market wide shortage of both student and worker dormitories in many different countries as well as the continually growing demand for dormitories, Centurion will undoubtedly be able to enlarge its market shares with their expansion program, boosting both top and bottom lines for the company. Furthermore, with the aforementioned rental reversion impact in 2H23, Centurion will improve its margins and the net profits.

Figure 5: DCF Model

S$ '000 (YE Dec)	2023F	2024F	2025F	2026F	2027F
Valuation					
Unlevered Free Cash Flow	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**
EBIT	137,648	142,159	144,007	168,122	184,242
Tax Rate	17%	17%	17%	17%	17%
EBIT * (1-t)	114,248	117,992	119,526	139,541	152,921
Add: Depreciation & Amortisation	2,969	2,264	1,686	1,186	884
Less: Increase in working capital	8,424	3,699	3,746	9,643	11,241
Less: Capex	(3,967)	(4,215)	(4,548)	(5,118)	(5,766)
Unlevered Free Cash Flow (Free cashflow to debt and equity holders)	121,675	119,739	120,410	145,251	159,280
Terminal Value					5,015,297
Discounted Value	115,617	113,778	114,415	138,020	4,916,958
Total Enterprise Value	5,398,788				
FY 2022 Debt	750,055				
FY 2022 Cash	68,274				
Equity Value / Market Capitalisation	4,717,007				
Target share price	**0.56**				
Current Share price	0.400				
Upside/(Downside) %	40%				

Source: KGI Research

Considering the majority of Centurion's revenue is derived from its PBWAs, it's important to acknowledge that comparing it directly to companies specialising in PBSAs abroad may not be entirely equitable. Centurion exhibits lower P/E and P/B ratios than its peers who operate student dormitories, suggesting that the stock is still relatively undervalued compared to its peers and has upside potential. Centurion's net gearing ratio of 96.2% is relatively high, but its debts are denominated in the currencies of the countries where its properties are located, which forms a natural hedge against exchange rate risk.

Figure 6: Peer Comparison

Bloomberg Ticker	Company Name	Last Price (local $)	Currency Adj. Market Cap (S$ m)	Dividend Yield (%)		Net Gearing (%)*	P/E (X)		P/B (x)		YTD Price Performance (%)	1YR Price Performance (%)	1YR Total Returns (%)
				FY22	FY23F		12M	Forward	FY22	FY23F			
CENT SP	**CENTURION CORP LTD**	**SGD 0.40**	**336**	**1.5**	**5.0**	**96.2**	**4.4**	**4.9**	**0.4**	**0.5**	**19.4**	**12.7**	**17.2**
	Singapore												
LBG SP	LIAN BENG GROUP LTD	SGD N/A	–	3.8	-	65.8	N/A	N/A	0.3	-	N/A	36.0	N/A
HUAGL SP	HUATIONG GLOBAL LTD	SGD 0.13	24	9.6	-	54.9	1.9	N/A	0.2	-	60.2	62.2	73.2
HOBEE SP	HO BEE LAND LTD	SGD 1.83	1,215	3.3	5.5	78.8	N/A	4.8	0.4	0.3	-24.7	-24.1	-21.1
HFC SP	HONG FOK CORP LTD	SGD 0.88	721	1.1	-	23.1	2.6	N/A	0.3	-	-7.4	-4.3	-3.4
	Average		**653**	**-**	**5.5**	**55.7**	**2.3**	**4.8**	**0.3**	**0.3**	**9.4**	**17.4**	**16.2**
	Median		**721**	**-**	**5.5**	**60.4**	**2.3**	**4.8**	**0.3**	**0.3**	**(7.4)**	**15.8**	**(3.4)**
	Student Dormitories												
CWP AU	CEDAR WOODS PROPERTIES LTD	AUD 4.65	335	4.0	4.9	45.9	12.1	9.5	1.0	0.9	7.4	30.6	39.3
ESP LN	EMPIRIC STUDENT PROPERTY PLC	GBP 88.30	893	3.0	3.9	47.4	24.0	21.5	0.7	0.7	4.9	17.0	21.1
UTG LN	UNITE GROUP PLC/THE	GBP 934.50	6,823	3.6	3.8	34.6	26.8	21.1	1.0	1.0	2.7	18.1	22.3
HLCL LN	HELICAL PLC	GBP 195.80	405	3.9	6.3	29.9	N/A	18.3	0.6	-	-41.3	-36.8	-34.1
	Average		**2,114**	**4**	**5**	**39**	**21**	**18**	**1**	**1**	**(6.6)**	**7.2**	**12.1**
	Median		**649**	**4**	**4**	**40**	**24**	**20**	**1**	**1**	**3.8**	**17.5**	**21.7**

Source: Bloomberg, KGI Research

Key Risks

Foreign Currency Risks. The Group proactively manage its exposure to the UK, Australia, Malaysia, and the US markets. Therefore, the possible foreign currency fluctuations that could affect the stability of those income streams. To manage foreign currency risks, the Group employs strategies that include natural hedges, where sales and purchases are matched in the same foreign currency. Regular monitoring and analysis by the management and the Board are conducted so that relevant risks can be mitigated, and appropriate measures can be carried out to minimise exposure.

Liquidity Risks. The Group's prudent liquidity risk management includes maintaining sufficient cash balances and the availability of short-term deposits and bank facilities to meet any short-term liabilities and unanticipated fund requirements. As at 31 December 2022, the Group's liquidity position remained healthy, with S$68.3 million in cash and bank balances. The Group also has sufficient unutilized committed credit facilities of S$129.2 million (of which S$121.7 million relates to unutilised committed credit facilities expiring more than 12 months after the balance sheet date), which are sufficient to cover the current net liabilities of S$73.8 million.

Devaluation Risks. Should Centurion's properties when revalued reduce in value, its gearing ratio will be impacted. With its debt at such a high level that keeps being rolled over, we anticipate that the company will face challenges in refinancing. The possible decline in its property values may cause the company to breach the unencumbered gearing ratio that has been implemented by the Singapore authorities and banking system.

Debt risks. Due to its high debt levels and ongoing debt refinancing, shareholders will face higher risks as the debt is being refinanced at higher rates in the various geographical segments of operations. This will lead to higher-than-usual interest repayment. With the interest rate environment expected to remain at high levels through 1H24, we anticipate a significant increase in interest cost for servicing borrowing facilities and principal in the coming years.

Inability to raise rates or increase occupancy. Should the company be unable to continue to raise rental rates for the worker dormitories or student dormitories as forecasted, it will affect our rental revenue forecast. And should the rental capacities not be maintained at our expected rates as well, our margins and profits forecasted will be adversely affected.

Financial Summary

FYE 31 December					
INCOME STATEMENT (SGD' 000)	**2021**	**2022**	**2023F**	**2024F**	**2025F**
Revenues	**143,017.0**	**180,450.0**	**204,185.7**	**216,764.7**	**233,768.1**
Cost of sales	**(48,701.0)**	**(56,895.0)**	**(61,255.7)**	**(65,029.4)**	**(70,130.4)**
Gross profit	**94,316.0**	**123,555.0**	**142,930.0**	**151,735.3**	**163,637.7**
Other operating income	4,715.0	2,652.0	3,790.4	4,128.6	4,940.5
Other (losses)/gains - net	1,383.0	(1,017.0)	–	–	–
Net fair value gain/(loss) on investment prope	(3,076.0)	18,982.0	18,397.4	14,974.3	4,319.0
Distribution expenses	(1,158.0)	(1,594.0)	(1,936.4)	(2,054.1)	(2,145.7)
Administrative expenses	(20,629.0)	(27,891.0)	(33,321.5)	(34,863.2)	(36,836.7)
Profit from operation	75,551.0	114,687.0	129,859.9	133,920.9	133,914.8
Share of profit of associated companies and j	15,077.0	8,919.0	7,788.5	8,237.6	10,092.1
Finance income	–	–	1,218.1	1,294.3	1,396.7
Finance expenses	(22,734.0)	(28,341.0)	(23,323.5)	(19,230.1)	(17,412.3)
Net finance (expense)/income	(7,657.0)	(19,422.0)	(14,316.9)	(9,698.1)	(5,923.5)
Profit before income tax	**67,894.0**	**95,265.0**	**115,543.0**	**124,222.8**	**127,991.4**
Income tax expense	(12,097.0)	(18,985.0)	(19,642.3)	(21,117.9)	(21,758.5)
Profit	**55,797.0**	**76,280.0**	**95,900.7**	**103,105.0**	**106,232.8**
BALANCE SHEET (SGD' 000)	**2021**	**2022**	**2023F**	**2024F**	**2025F**
Cash and cash equivalents	67,493.0	68,274.0	78,137.6	119,127.4	160,669.6
Other current assets	29,137.0	23,483.0	31,691.9	33,164.1	35,199.7
Total current assets	**96,630.0**	**91,757.0**	**109,829.5**	**152,291.5**	**195,869.3**
Property, plant and equipment	8,735.0	7,476.0	8,474.1	10,425.1	13,287.2
Intangible assets	–	–	–	–	–
Other non-current assets	1,477,349.0	1,448,522.0	1,450,721.3	1,455,967.9	1,461,655.3
Total non-current assets	**1,486,084.0**	**1,455,998.0**	**1,459,195.4**	**1,466,393.1**	**1,474,942.5**
Total assets	**1,582,714.0**	**1,547,755.0**	**1,569,024.9**	**1,618,684.6**	**1,670,811.8**
Trade and other payables	46,182.0	55,105.0	64,061.7	68,008.2	73,342.9
Loans and contract liabilities	80,016.0	49,417.2	50,445.8	46,473.7	45,845.2
Other current liabilities	10,646.0	61,076.8	34,509.0	40,814.5	38,037.5
Total current liabilities	**136,844.0**	**165,599.0**	**149,016.5**	**155,296.5**	**157,225.5**
Lease liabilities	87,222.0	69,213.0	69,213.0	69,213.0	69,213.0
Other non-current liabilities	681,329.0	604,455.0	555,037.8	504,592.0	458,118.3
Total non-current liabilities	**768,551.0**	**673,668.0**	**624,250.8**	**573,805.0**	**527,331.3**
Total liabilities	**905,395.0**	**839,267.0**	**773,267.3**	**729,101.5**	**684,556.8**
Unitholders' funds and reserves	677,319.0	708,488.0	795,757.6	889,583.1	986,255.0
Total liabilities and equity	**1,582,714.0**	**1,547,755.0**	**1,569,024.9**	**1,618,684.6**	**1,670,811.8**
CASH FLOW STATEMENT (SGD' 000)	**2021**	**2022**	**2023F**	**2024F**	**2025F**
Profit before tax	**55,797.0**	**76,280.0**	**95,900.7**	**103,105.0**	**106,232.8**
Adjustments	23,712.0	21,915.0	39,900.0	36,151.3	33,892.9
Operating cash flows before WC changes	**79,509.0**	**98,195.0**	**135,800.6**	**139,256.3**	**140,125.7**
Change in working capital	2,673.0	13,173.0	8,424.5	3,698.7	3,745.9
Income tax paid	(7,833.0)	(7,186.0)	(19,642.3)	(21,117.9)	(21,758.5)
Cash flows from operations	**74,349.0**	**104,182.0**	**124,582.8**	**121,837.1**	**122,113.0**
Capital expenditure	(4,093.0)	(1,319.0)	(3,966.7)	(4,215.0)	(4,548.5)
Interest received	475.0	779.0	1,218.1	1,294.3	1,396.7
Others	(16,375.0)	(1,173.0)	–	–	–
Cash flows from investing	**(19,993.0)**	**(1,713.0)**	**(2,748.6)**	**(2,920.7)**	**(3,151.8)**
Repayment of borrowings	(71,269.0)	(103,953.0)	(80,016.0)	(49,417.2)	(50,445.8)
Dividends paid	–	(8,422.0)	(8,631.1)	(9,279.4)	(9,561.0)
Interest paid	(19,410.0)	(24,796.0)	(23,323.5)	(19,230.1)	(17,412.3)
Other financing cashflow	18,841.0	36,975.0	–	–	–
Cash flows from financing	**(71,838.0)**	**(100,196.0)**	**(111,970.5)**	**(77,926.7)**	**(77,419.1)**
FX Effects, Others	(77.0)	(2,026.0)	–	–	–
Net increase/(decrease) in cash	**(17,482.0)**	**2,273.0**	**9,863.6**	**40,989.7**	**41,542.2**
Beginning Cash	83,868.0	66,309.0	68,274.0	78,137.6	119,127.4
Ending cash	**66,309.0**	**66,556.0**	**78,137.6**	**119,127.4**	**160,669.6**
KEY RATIOS	**2021**	**2022**	**2023F**	**2024F**	**2025F**
DPS (SGD cents)	0.50	0.50	0.80	1.23	1.26
Dividend yield (%)	1.3	1.3	2.0	3.1	3.2
NAV per share (SGD cents)	0.1	0.1	0.1	0.1	0.1
Price/NAV (x)	496.5	474.7	422.6	378.1	341.0
Profitability					
EBITDA Margin (%)	8.5	10.5	9.6	9.7	9.3
Net Margin (%)	39.0	42.3	47.0	47.6	45.4
ROE (ex. Property FV gain) (%)	8.2	10.8	12.1	11.6	10.8
ROA (ex. Property FV gain) (%)	3.5	4.9	6.1	6.4	6.4
Financial Structure					
Interest Coverage Ratio (x)	0.3	0.2	0.2	0.1	0.1
Gearing Ratio (%)	100.8	88.6	68.2	51.0	36.8

Property List

Location	Facility	% owned	Capacity as at 31 Dec FY22	Capacity as at 30 Jun FY23	Expected capacity as at 31 Dec FY23	Land tenure	Land Area (sqm)
Workers Accomodation							
Singapore	**Purpose-Built Workers Accommodation (PBWA)**						
	1 ASPRI-Westlite Papan	51%	7,900	7,900	7,900	23 yrs (wef 2015)	17,817
	2 Westlite Juniper	100%	1,900	1,900	1,900	10 yrs (wef 2019, option to renew for 5 yrs)	4,255
	3 Westlite Mandai	45%	6,300	6,300	6,300	Freehold	11,265
	4 Westlite Toh Guan	100%	7,330	7,330	7,330	60 yrs (wef 1997)	11,685
	5 Westlite Woodlands	100%	4,100	4,100	4,100	30 yrs (wef 2013)	9,542
	Quick Build Dormitories (QBD)						
	6 Westlite Jalan Tukang	100%	3,420	4,104	4,104	3 yrs (wef 2021, option to renew for 1 yr)	52,546
	7 Westlite Kranji Way	100%	1,300	1,300	1,300	3 yrs (wef 2020, option to renew for 1 yr)	25,497
	8 Westlite Tuas Avenue 2	100%	1,020	1,224	1,224	3 yrs (wef 2020, option to renew for 1 yr)	22,390
	9 Westlite Tuas South Boulevard	100%	628	628	628	3 yrs (wef 2021, option to renew for 1 yr)	10,000
	Total in Singapore		**33,898**	**34,786**	**34,786**		
Malaysia	**Johor**						
	1 Westlite Johor Tech Park	100%	3,480	3,480	3,480	99 yrs (wef 2013)	14,314
	2 Westlite Pasir Gudang	100%	1,952	1,952	1,952	99 yrs (wef 1986)	8,391
	sub Pasir Gudang	100%				9 yrs (wef 2019)	2,268
	3 Westlite Senai	100%	1,210	1,210	1,980	Freehold	20,310
	4 Westlite Senai II	100%	3,020	3,020	3,020	Freehold	19,071
	5 Westlite Tampoi	100%	5,500	5,790	5,790	Freehold	28,328
	6 Westlite Tebrau	100%	1,786	1,786	1,786	60 yrs (wef 2000)	5,718
	7 Westlite Cemerlang	100%	–	–	2,196	10 yrs (wef 4Q23, option to renew for 5yrs)	7,689
	Penang						
	8 Westlite Bukit Minyak	100%	3,321	3,321	3,321	Freehold	16,398
	Selangor						
	9 Westlite - PKNS Petaling Jaya	100%	6,044	6,044	6,044	21 yrs (wef 2020, option to renew for 9 yrs)	14,030
	Total in Malaysia		**26,313**	**26,603**	**29,569**		
Total number of beds for Worker Accomodation			**60,211**	**61,389**	**64,355**		
Student Accomodation							
United Kingdom	**Bristol**						
	1 Dwell Hotwells House	100%	157	157	157	125 yrs (wef 2009)	2,400
	Liverpool						
	2 Dwell Cathedral Campus	100%	383	383	383	250 yrs (wef 2007)	16,400
	Manchester						
	3 Dwell MSV	100%	1,003	1,003	1,003	Freehold	4,500
	4 Dwell MSV South	100%	362	362	362	Freehold	6,300
	5 Dwell Princess Street	100%	126	126	126	Freehold	500
	6 Dwell the Grafton	100%	145	145	145	Freehold	2,000
	7 Dwell Weston Court	100%	140	140	140	125 yrs (wef 2008)	3,700
	Newcastle						
	8 Dwell Garth Heads	100%	181	181	181	125 yrs (wef 1995)	2,000
	Nottingham						
	9 Dwell Archer House	100%	177	177	177	Freehold	1,133
	10 Dwell Castle Gate Haus	14.3%	133	133	133	Freehold	1,230
	Total in United Kingdom		**2,807**	**2,807**	**2,807**		
Australia	**Adelaide**						
	1 Dwell East End Adelaide	100%	304	300	300	Freehold	598
	Melbourne						
	2 Dwell Village Melbourne City	100%	616	611	611	Freehold	6,200
	Total in Australia		**920**	**911**	**911**		
South Korea	1 Dwell Dongdaemun	55%	208	–	–	Freehold	968
	Owned by subsidiary and sold at 21.4 Billion won						
United States *28.7% owned through Fund	**Alabama**						
	1 Dwell Logan Square	28.7%	642	642	642	Freehold	45,891
	Connecticut						
	2 Dwell College & Crown	28.7%	206	206	206	Freehold	4,484
	Florida						
	3 Dwell Tenn Street	28.7%	624	–	–	Freehold	76,769
	Texas						
	4 Dwell Stadium View	28.7%	216	216	216	Freehold	23,755
	Wisconsin						
	5 Dwell the Statesider	28.7%	226	226	226	Freehold	809
	6 Dwell the Towers on State	28.7%	231	231	231	Freehold	1,983
	Total in United States		**2,145**	**1,521**	**1,521**		
Total Student Accomodation			**6,080**	**5,239**	**5,239**		
Total assets			**66,291**	**66,628**	**69,594**		

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