

CHINA
DEVELOPMENT
FINANCIAL

Centurion Corp Ltd

(CENT SP/OU8.SI)

Centre of excellence.

Alyssa Tee / 65 6202 1193 / alyssa.tee@kgi.com

- Foreign worker dormitories and student accommodations continue to contribute to revenue growth.** Total revenue for 2H23 rose by 22% YoY from S\$89.9mn to S\$109.3mn. Despite revenue growth being partially offset by the cessation of management contracts of two onboard centres in Singapore, 2H23 revenue still managed to grow 22% YoY, showing strength in its rental rate revisions and occupancy rates across its PBWAs and PBSAs. As of FY23, the total asset under management was S\$2.0bn with 67,377 operational beds in 34 properties in 15 cities globally.
- Maintain Outperform.** We reiterate an **OUTPERFORM** rating on Centurion with a revised upward target price of **S\$0.62** due to higher enterprise value. Centurion's performance surpassed our expectations, demonstrating positive rental rate reversions and occupancy resilience against foreign exchange fluctuations.

Financials & Key Operating Statistics					
YE Dec (\$'000)	2022	2023	2024F	2025F	2026F
Revenue	180,450	218,772	232,266	247,555	263,631
PATMI	76,280	97,699	119,691	126,207	144,124
EPS (cents)	6.64	9.07	20.92	11.62	14.24
EPS growth (%)	2.0%	0.4%	1.3%	(0.4%)	0.2%
DPS (Sing cents)	0.5	0.8	1.4	1.5	1.7
Div Yield (%)	1.2	1.9	3.3	3.5	4.0
Net Profit Margin (%)	42.3%	44.7%	51.5%	51.0%	54.7%
Net Gearing (%)	43.4%	31.4%	22.5%	14.2%	5.3%
Price P/B (x)	0.51	0.45	0.40	0.35	0.31
ROE (%)	10.8%	12.3%	13.2%	12.4%	12.5%

Source: Company data, KGI Research

FY23 financials update: Boost in occupancy and rental rates. FY23 revenue rose 15% YoY from S\$180.5mn to S\$207.2mn. The respective FY23 financial occupancy of PBWA and PBSA were 96% and 92%, up from 90% and 86% in FY22. The higher contributions from strong occupancies and improved rental rates across all the PBWAs and PBSAs, alongside an increase of xx number of beds available for rent that came into operation helped boost Centurion's revenue during the year. However, these positives were partially offset by the weaker British Pound, Malaysian Ringgit, and Australian Dollar against SGD which resulted in lower revenue reported in Singapore dollars. Despite these factors, the positives outweighed the negatives, leading to continued growth in both PBWA and PBSA segmental revenues. Higher rental rates across its properties in these four markets also contributed to the increase in revenue.

Figure 1: Geographical revenue breakdown (\$'000)

Revenue by geographical area	2H22	2H23	Change	FY22	FY23	Change
Singapore	59,293	74,145	25.0%	120,311	137,901	14.6%
Malaysia	8,925	9,559	7.1%	15,917	19,467	22.3%
Australia	6,441	8,095	25.7%	10,984	14,968	36.3%
United Kingdom	13,892	16,776	20.8%	30,591	33,366	9.1%
Other countries	1,371	747	(45.5%)	2,647	1,543	(41.7%)
Total revenue	89,922	109,322	21.6%	180,450	207,245	14.8%

Source: Company, KGI Research

Outperform - Maintained		Performance (Absolute)	
Price as of 14 Mar 24 (SGD)	0.43	1 Month (%)	4.9
12M TP (\$)	0.62	3 Month (%)	8.8
Previous TP (\$)	0.56	12 Month (%)	31.5
Upside, incl div (%)	(87.0)		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	362		
Issued Shares (mn)	841		
Vol - 3M Daily avg (mn)	0.2		
Val - 3M Daily avg (\$mn)	0.1		
Free Float (%)	30.1%		
Major Shareholders		Previous Recommendations	
Centurion Properties Pte Lt	51%	13-Oct-23	OP S\$0.56
Teo Peng Kwang	7.6%	8-Dec-23	OP S\$0.56
Loh Kim Kang	5.3%		

Prudent financial structure and debt management.

The company's balance sheet shows a healthy financial position with S\$74.7m in cash and bank balances. This increase is mainly from operating activities. Current assets have increased due to assets held for sale, while current liabilities increased because of higher rental deposits and advance rentals received from new tenants. The company has enough cash and banking facilities to cover its current liabilities. Non-current liabilities increased due to additional loan drawdowns for asset development and acquisitions, partially offset by lease liability repayments. The average long-term bank debt maturity is 6 years, and the interest cover ratio is well within the threshold at 3.6 times.

Continued organic growth of portfolio. Centurion is pursuing strategic, scalable growth through partnerships, investment funds, and fee-based management services. This includes selectively acquiring properties in existing and new markets, optimizing existing assets through renovations and reviews, and expanding revenue streams with specialized management services and ancillary income. This comprehensive strategy is expected to significantly increase its portfolio bed count by 4,310 in FY24.

Valuation & Action: We maintain our **OUTPERFORM** recommendation, with an increased target price of **S\$0.62** for Centurion, based on DCF with a terminal growth rate of 2.0% and a WACC of 5.2%. With expansion plans underway alongside improved revenue growth due to the continued effect of the revision of rental rates upwards, as previously anticipated, we expect the trend to continue in the short run and normalise in the long run due to the upward revision of rental reversion rates in FY23 which will continue to reflect in FY24 revenue figures.

Risks: Interest rates remain higher for longer, and profit margins continue to be under pressure due to higher operating costs.

Geographical review and outlook

Strong demand drives PBWA expansion in Singapore and Malaysia. Centurion is experiencing strong demand for its purpose-built worker accommodations (PBWAs) in both Singapore and Malaysia. Singapore boasts a healthy market with high average financial occupancy (98% for FY2023) and growing rental rates. This trend is expected to continue due to increasing Work Permit holders and upcoming construction projects. To capitalize on this, Centurion is expanding its portfolio through lease extensions, new developments like Westlite Ubi, and redevelopments of existing facilities, aiming to add thousands of beds by 2026.

In Malaysia, rising demand for quality PBWAs due to stricter regulations is driving healthy occupancy rates (average of 93% for FY2023). Centurion's strategic locations in states with high foreign worker populations like Johor, Penang, and Selangor position them well to benefit from this trend. The company is actively expanding capacity through Asset Enhancement Initiatives at existing sites in Johor and is evaluating the development of a massive new 7,000-bed PBWA in Nusajaya. This comprehensive growth strategy promises significant increases in bed capacity across both Singapore and Malaysia.

Capitalising on student housing demand. Centurion's student accommodation business is thriving globally. Australia saw occupancy rise from 85% to 89% in just a year, driven by record student arrivals. This trend of strong occupancy and favourable rental revisions is expected to continue due to population growth and limited housing options. Here, Centurion is optimizing assets through minor renovations and experiencing positive pre-bookings for 2024. In the US, the Centurion US Student Housing Fund maintains healthy occupancy, with strategic disposals further bolstering performance. The UK boasts the strongest occupancy at 93%, rising even higher when excluding beds under renovation. A persistent shortage in student accommodation is driving rental rate increases, offsetting rising operational costs. With universities exceeding international student targets and a growing focus on quality student housing, the UK market holds significant promise. Pre-bookings for the next academic year are strong, and Centurion is actively exploring further enhancements to its UK portfolio. This global strength positions Centurion to capitalize on the booming student accommodation market.

FY24 outlook. Centurion's future is bright, fuelled by a combination of strategic moves and positive market trends. The company is expanding its portfolio across Singapore, Malaysia, and Australia, and this will directly translate to increased revenue. Furthermore, rising demand for both worker (PBWA) and student (PBSA) accommodations ensures healthy occupancy rates and potentially even higher rental income. Adding to this positive outlook is the expectation of a decline in interest rates. The CME Fedwatch Tool suggests a higher than 60% probability of a 25-basis point decrease in June 2024. Centurion would benefit from reduced interest expenses on existing debt, while also gaining easier access to capital for acquisitions at a lower borrowing cost. Finally, Centurion's strategic shift towards a more asset-light model positions them for greater operational efficiency and flexibility, further solidifying our positive outlook.

Valuation. We maintain our **OUTPERFORM** recommendation. With a raised target price of **S\$0.62**, based on its better-than-anticipated FY23 performance. Our target price was derived from DCF with a terminal growth rate of 2.0% and a WACC of 5.2%.

Figure 2: DCF Model

S\$ '000 (YE Dec)	2024F	2025F	2026F	2027F	2028F
Valuation					
Unlevered Free Cash Flow	Y1	Y2	Y3	Y4	Y5
EBIT	145,410	165,136	170,791	190,345	202,045
Tax Rate	17%	17%	17%	17%	17%
EBIT * (1-t)	120,690	137,063	141,757	157,986	167,697
Add: Depreciation & Amortisation	3,138	2,283	1,675	1,159	856
Less: Increase in working capital	27,600	7,799	5,156	7,687	8,312
Less: Capex	(4,082)	(4,339)	(4,627)	(4,934)	(5,262)
Unlevered Free Cash Flow (Free cashflow to debt and equity holders)	147,347	142,805	143,960	161,899	171,604
Terminal Value					5,418,732
Discounted Value	140,023	135,707	136,805	153,852	5,312,483
Total Enterprise Value	5,878,870				
FY 2023 Debt	730,954				
FY 2023 Cash	74,717				
Equity Value / Market Capitalisation	5,222,633				
Target share price	0.62				
Current Share price	0.430				
Upside/(Downside) %	44%				

Source: KGI Research

APPENDIX

Listed below is the updated list of properties in Centurion's Portfolio.

Location	Facility	% owned	Capacity as at 30 Jun FY23	Capacity as at 31 Dec FY23	Expected capacity as at 31 Dec FY24	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%	4,104	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%	1,224	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			34,786	34,786	34,786			
Malaysia	Johor							
	1	Westlite Johor Tech Park	100%	3,480	3,480	5,220	99 yrs (wef 2013)	14,314
	2	Westlite Pasir Gudang	100%	1,776	1,776	1,776	99 yrs (wef 1986)	8,391
		sub Pasir Gudang	100%	176	176	176	9 yrs (wef 2019)	2,268
	3	Westlite Senai	100%	1,210	1,980	1,980	Freehold	20,310
	4	Westlite Senai II	100%	3,020	3,020	3,940	Freehold	19,071
	5	Westlite Tampoi	100%	5,790	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	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			23,282	27,373	32,229			
Total number of beds for Worker Accomodation			58,068	62,159	67,015			
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	982	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	2,786	2,807			
Australia	Adelaide							
	1	Dwell East End Adelaide	100%	300	300	300	Freehold	598
	Melbourne							
2	Dwell Village Melbourne City	100%	611	611	611	Freehold	6,200	
Total in Australia			911	911	911			
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
	Texas							
	3	Dwell Stadium View	28.7%	216	216	216	Freehold	23,755
Wisconsin								
4	Dwell the Statesider	28.7%	226	226	226	Freehold	809	
5	Dwell the Towers on State	28.7%	231	231	231	Freehold	1,983	
Total in United States			1,521	1,521	1,521			
Total Student Accomodation			5,239	5,218	5,239			
Total assets			63,307	67,377	72,254			

Financial Summary

FYE 31 December					
INCOME STATEMENT (SGD' 000)	2022	2023	2024F	2025F	2026F
Revenues	180,450.0	218,771.7	232,265.7	247,555.5	263,631.5
Cost of sales	(56,895.0)	(65,631.5)	(69,679.7)	(74,266.6)	(79,089.4)
Gross profit	123,555.0	153,140.2	162,586.0	173,288.8	184,542.0
Other operating income	2,652.0	3,950.9	5,337.8	6,388.4	7,464.2
Other (losses)/gains - net	(1,017.0)	-	-	-	-
Net fair value gain/(loss) on investment propert	18,982.0	17,488.8	24,395.3	17,647.8	24,989.7
Distribution expenses	(1,594.0)	(2,072.7)	(2,174.7)	(2,251.8)	(2,358.2)
Administrative expenses	(27,891.0)	(35,057.0)	(36,281.9)	(37,807.7)	(39,720.9)
Profit from operation	114,687.0	137,450.1	153,862.5	157,265.6	174,916.8
Share of profit of associated companies and j	8,919.0	7,959.6	11,273.4	13,525.5	15,428.4
Finance income	-	1,191.8	1,267.0	1,351.0	1,440.6
Finance expenses	(28,341.0)	(28,892.1)	(22,196.5)	(20,085.8)	(18,142.3)
Net finance (expense)/income	(19,422.0)	(19,740.7)	(9,656.1)	(5,209.3)	(1,273.3)
Profit before income tax	95,265.0	117,709.4	144,206.4	152,056.2	173,643.4
Income tax expense	(18,985.0)	(20,010.6)	(24,515.1)	(25,849.6)	(29,519.4)
Profit	76,280.0	97,698.8	119,691.3	126,206.7	144,124.0
BALANCE SHEET (SGD' 000)	2022	2023F	2024F	2025F	2026F
Cash and cash equivalents	68,274.0	149,004.1	208,755.9	269,522.4	351,859.4
Other current assets	23,483.0	26,311.3	27,427.9	28,773.9	30,105.4
Total current assets	91,757.0	175,315.4	236,183.7	298,296.3	381,964.8
Property, plant and equipment	7,476.0	60,119.7	62,176.4	65,128.4	68,903.1
Intangible assets	-	-	-	-	-
Other non-current assets	1,448,522.0	1,387,021.7	1,392,307.7	1,398,052.1	1,404,225.9
Total non-current assets	1,455,998.0	1,447,141.3	1,454,484.0	1,463,180.5	1,473,129.0
Total assets	1,547,755.0	1,622,456.7	1,690,667.7	1,761,476.8	1,855,093.7
Trade and other payables	55,105.0	77,533.6	82,315.9	87,734.7	93,432.1
Loans and contract liabilities	49,743.1	50,717.6	46,698.1	46,028.1	44,560.2
Other current liabilities	60,750.9	36,086.7	45,333.4	43,243.8	47,506.5
Total current liabilities	165,599.0	164,337.9	174,347.5	177,006.6	185,498.7
Lease liabilities	69,213.0	106,013.0	106,013.0	106,013.0	106,013.0
Other non-current liabilities	604,455.0	554,711.9	503,994.3	457,296.1	411,268.0
Total non-current liabilities	673,668.0	660,724.9	610,007.3	563,309.1	517,281.0
Total liabilities	839,267.0	825,062.8	784,354.7	740,315.7	702,779.8
Unitholders' funds and reserves	708,488.0	797,393.9	906,313.0	1,021,161.1	1,152,314.0
Total liabilities and equity	1,547,755.0	1,622,456.7	1,690,667.7	1,761,476.8	1,855,093.7
CASH FLOW STATEMENT (SGD' 000)	2022	2023F	2024F	2025F	2026F
Profit before tax	76,280.0	97,698.8	119,691.3	126,206.7	144,124.0
Adjustments	21,915.0	46,032.5	42,561.0	40,691.5	41,349.8
Operating cash flows before WC changes	98,195.0	143,731.3	162,252.3	166,898.2	185,473.8
Change in working capital	13,173.0	27,600.2	7,798.8	5,155.8	7,687.2
Income tax paid	(7,186.0)	(20,010.6)	(24,515.1)	(25,849.6)	(29,519.4)
Cash flows from operations	104,182.0	151,320.9	145,536.0	146,204.5	163,641.7
Capital expenditure	(1,319.0)	(4,081.6)	(4,339.3)	(4,626.9)	(4,933.8)
Interest received	779.0	1,191.8	1,267.0	1,351.0	1,440.6
Others	(1,173.0)	64,900.0	-	-	-
Cash flows from investing	(1,713.0)	62,010.1	(3,072.3)	(3,275.9)	(3,493.2)
Repayment of borrowings	(103,953.0)	(80,016.0)	(49,743.1)	(50,717.6)	(46,698.1)
Dividends paid	(8,422.0)	(8,792.9)	(10,772.2)	(11,358.6)	(12,971.2)
Interest paid	(24,796.0)	(28,892.1)	(22,196.5)	(20,085.8)	(18,142.3)
Other financing cashflow	36,975.0	(14,900.0)	-	-	-
Cash flows from financing	(100,196.0)	(132,601.0)	(82,711.8)	(82,162.0)	(77,811.6)
FX Effects, Others	(2,026.0)	-	-	-	-
Net increase/(decrease) in cash	2,273.0	80,730.1	59,751.8	60,766.6	82,336.9
Beginning Cash	66,309.0	68,274.0	149,004.1	208,755.9	269,522.4
Ending cash	66,556.0	149,004.1	208,755.9	269,522.4	351,859.4
KEY RATIOS	2022	2023F	2024F	2025F	2026F
DPS (SGD cents)	0.50	0.81	1.42	1.50	1.71
Dividend yield (%)	1.2	1.9	3.3	3.5	4.0
NAV per share (SGD cents)	84.3	94.8	107.8	121.5	137.1
Price/NAV (x)	0.5	0.5	0.4	0.4	0.3
Profitability					
EBITDA Margin (%)	10.5	9.1	10.6	10.4	11.2
Net Margin (%)	42.3	44.7	51.5	51.0	54.7
ROE (ex. Property FV gain) (%)	10.8	12.3	13.2	12.4	12.5
ROA (ex. Property FV gain) (%)	4.9	6.0	7.1	7.2	7.8
Financial Structure					
Interest Coverage Ratio (x)	0.2	0.2	0.1	0.1	0.1
Gearing Ratio (%)	43.4	31.4	22.5	14.2	5.3

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Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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